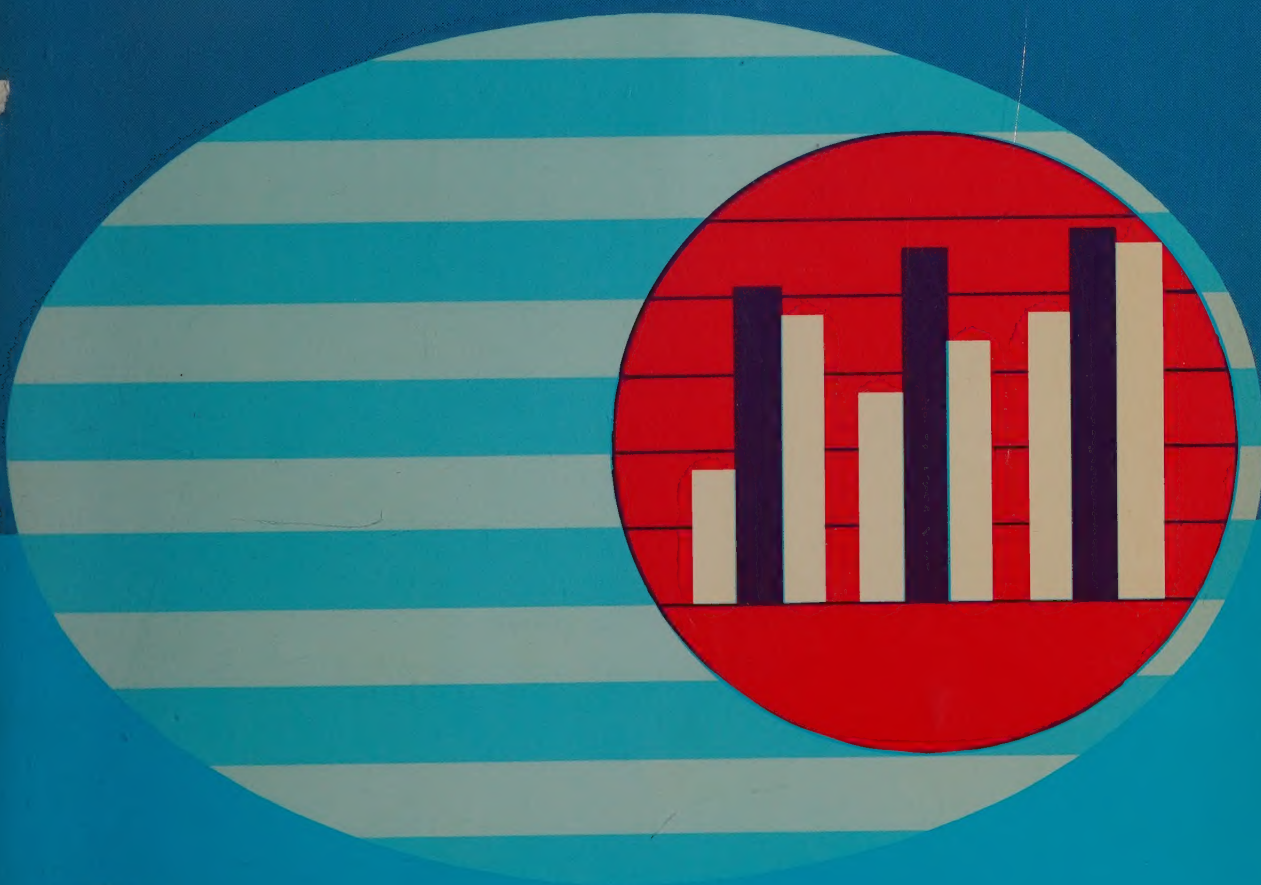


ECONOMIC and SOCIAL SURVEY of ASIA and the PACIFIC 1978



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ECONOMIC AND SOCIAL SURVEY

OF

ASIA AND THE PACIFIC,

1978

BIENNIAL REVIEW AND APPRAISAL AT THE REGIONAL LEVEL
OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE
SECOND UNITED NATIONS DEVELOPMENT DECADE, 1978

Bangkok

1979

Since the 1957 issue, the *Economic and Social Survey of Asia and the Pacific* has, in addition to a review of the current situation in the region, contained a study or studies of major aspects or problems of the economies of Asia and the Pacific, as specified below:

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PREFACE

The 1978 *Survey* is the thirty-second annual report on the region produced by the Economic and Social Commission for Asia and the Pacific (ESCAP), and the fourth biennial review of economic and social developments during the Second United Nations Development Decade, i.e. the 1970s.

The purpose of these biennial reviews has been to monitor progress in the developing countries of the ESCAP region towards the goals established by the International Development Strategy for the Second United Nations Development Decade. The present biennial review will be the last of that name to be produced by ESCAP and future reviews and appraisals will take a rather longer time perspective of five years. This decision has arisen out of certain misgivings about both the biennial period, which is short and rather inadequate and the review and appraisal exercise itself, as the unfolding circumstances of the 1970s have been so different from those that could have been anticipated by the International Development Strategy.

The present *Survey* has adopted a time perspective considerably longer than a biennial one and attempts a review of the 1970s decade as a whole. Chapter I summarizes some of the major developments in the ESCAP region. Chapters II and III constitute the main body of the *Survey* and review in detail key elements of economic and social performance, as far as possible making comparisons of performance with the 1960s. The separation into two parts of the mainly "economic" and mainly "social" considerations (respectively Chapter II and Chapter III) is artificial but has been done to facilitate exposition. In particular, one section in Chapter III gives specific attention to performance in respect of the satisfaction of basic human needs, which lies at the heart of the development process. Finally, Chapter IV looks ahead to the 1980s and the new International Development Strategy, assessing the shortcomings of the Strategy during the current decade and highlighting some essential elements of a new strategy from the point of view of this region.

This *Survey* is published on the sole responsibility of the ESCAP secretariat. Although its contents have benefited from the comments of both experts and official representatives from member countries, the views expressed herein are not necessarily those of the Commission or the Governments of its member countries.

Bangkok, July 1979.

EXPLANATORY NOTE

The term "ESCAP region" is used in the present issue of the *Survey* to include Afghanistan, Australia, Bangladesh, Bhutan, Brunei, Burma, China, the Cook Islands, Democratic Kampuchea, Fiji, the Gilbert Islands, Hong Kong, India, Indonesia, Iran, Japan, Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Nauru, Nepal, New Zealand, Pakistan, Papua New Guinea, the Philippines, the Republic of Korea, Samoa, Singapore, the Solomon Islands, Sri Lanka, Thailand, Tonga, the Trust Territory of the Pacific Islands, Tuvalu and Viet Nam. The term "developing ESCAP region" excludes Australia, Japan and New Zealand.

The designations employed in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or territory or of its authorities, or concerning the delimitation of its frontiers.

Reference to "tons" indicates metric tons.

The term "billion" signifies a thousand million.

In the tables, three dots (...) indicate that data are not available or are not separately reported, a dash (—) indicates that the amount is nil or negligible, and a blank indicates that the item is not applicable.

In dates, a hyphen (-) is used to signify the full period involved, including the beginning and end years, and a stroke (/) indicates a crop year, a fiscal year or plan year. The plan years of the ESCAP countries coincide with their fiscal years as given in the table below:

Country	Fiscal year	Currency and abbreviation	Mid-point rate of exchange for \$US 1 as of December 1978
Afghanistan	21 March to 20 March	Afghani (Af)	45.00
Australia	1 July to 30 June	Australian dollar (\$A)	0.8692
Bangladesh	1 July to 30 June	Taka (Tk)	14.934 ^a
Bhutan	1 April to 31 March	Ngultrum (Nu)	8.70
Brunei	1 January to 31 December	Brunei dollar (\$Br)	2.45
Burma	1 October to 30 September	Kyat (K)	6.603
China	1 January to 31 December	Yuan Renminbi (¥RMB)	2.04 ^b
Cook Islands	1 April to 31 March	New Zealand dollar (\$NZ)	0.9376
Democratic Kampuchea	1 January to 31 December	Riel (R)	...
Fiji	1 January to 31 December	Fijian dollar (\$F)	0.8197
Hong Kong	1 January to 31 December	Hong Kong dollar (\$HK)	4.81
India	1 April to 31 March	Rupee (Rs)	8.188
Indonesia	1 April to 31 March	Rupiah (Rp)	625.00
Iran	21 March to 20 March	Rial (Rls)	70.48
Japan	1 April to 31 March	Yen (¥)	194.60
Lao People's Democratic Republic	1 July to 30 June	Kip	200.00 ^c
Malaysia	1 January to 31 December	Ringgit (\$M)	2.21
Maldives	1 October to 30 September	Rupee (Rs)	8.925 ^c
Mongolia	1 January to 31 December	Tughrik (T)	3.00 ^b
Nauru	1 July to 30 June	Australian dollar (\$A)	0.8692
Nepal	16 July to 15 July	Rupee (Rs)	12.00
New Zealand	1 April to 31 March	New Zealand dollar (\$NZ)	0.9376
Pakistan	1 July to 30 June	Rupee (Rs)	9.931
Papua New Guinea	1 July to 30 June	Kina (K)	0.688
Philippines	1 January to 31 December	Peso (P)	7.38
Republic of Korea	1 January to 31 December	Won (W)	484.00
Samoa	1 January to 31 December	Tala (\$WS)	0.716
Singapore	1 January to 31 December	Singapore dollar (\$S)	2.16
Solomon Islands	1 January to 31 December	Australian dollar (\$A)	0.8692
Sri Lanka	1 January to 31 December	Rupee (Rs)	15.505
Thailand	1 October to 30 September	Baht (Bht)	20.39
Tonga	1 July to 30 June	Tongan dollar (\$T)	0.895
Viet Nam	^a	Dong	...

Source: United Nations, *Monthly Bulletin of Statistics*, April 1979, Asian Development Bank, *Key Indicators*, and national sources.

Notes: ^a Cross rate based on noon sterling-dollar rates in London.

^b Basic rate denotes a fixed rate.

^c December 1977

^d Prior to reunification, the Republic of South Vietnam's fiscal year was from 1 January to 31 December.

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ABBREVIATIONS

ANRPC	Association of Natural Rubber Producing Countries
ASEAN	Association of Southeast Asian Nations
c.i.f.	Cost, insurance and freight
DAC	Development Assistance Committee, of the Organisation for Economic Co-operation and Development (OECD)
EEC	European Economic Community
f.o.b.	Free on board
GDP	Gross domestic product, with variations, e.g., GDP _{fc} : gross domestic product at factor cost; GDP _{mp} : <i>idem.</i> at market price; GDP _{pv} : <i>idem.</i> at purchasers' value, etc.
GNP	Gross national product, also with variations, e.g., at market price or purchasers' value
GSP	Generalized System of Preferences
HYV	High-yielding varieties; chiefly of cereals
IBRD	International Bank of Reconstruction and Development (World Bank)
IMF	International Monetary Fund
MFA	Multi-fibre Arrangement
NIEO	New international economic order
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PR	Participation rate, in labour force
SDR	Special drawing rights, with the International Monetary Fund
SITC	Standard International Trade Classification
TFR	Total fertility rate

I. AN OVERVIEW OF THE 1970s

Introduction

1. This introductory chapter briefly reviews the major international development problems of the 1970s, particularly as these have involved and affected the developing economies of the ESCAP region. Policy issues reviewed include growth in the industrial economies, the rising tide of protectionism in the global economy, trade in primary commodities, sectoral issues involving food and energy, and issues associated with the flow of commercial and concessionary capital to the developing ESCAP economies.

2. Secondly, the growth performance of developing ESCAP economies is examined from the perspective of the targets set for the Second United Nations Development Decade and by way of contrasting the performance of the many heterogeneous countries which make up the developing countries of the ESCAP region. Finally, the chapter concludes by briefly examining the changes in orientation in development strategies that had begun to occur in the 1970s. In subsequent chapters each of these issues is discussed in greater detail.

1. International development problems of the 1970s

3. Depending on the degree of their dependence on foreign trade, the development performance of the developing countries of the ESCAP region has long been importantly affected by international economic developments and, in particular, by the course of events in the developed industrial economies. The impact is felt directly as a result of trade relations and as consequence of commercial and concessionary capital flows, and indirectly as a result of the growing interdependence of the world economy — with all that implies for developing and developed countries alike.

(a) International interdependence

4. Growing international interdependence during the 1970s has manifested itself through the impacts of the major types of disturbance in the international economy. These were the commodities export boom and its subsequent collapse, the large rise in the price of petroleum in 1973-1974, and the food crisis.¹ Serious difficulties also arose with respect to the needs for concessionary capital flows. These problems will each be discussed in turn.

5. Since the low-income developing countries² of the ESCAP region send well over 50 per cent of their exports to developed country markets, and the middle-income countries and areas³ depend on

developed economies for approximately 75 per cent of their exports, the large amplitude of the fluctuations in levels of economic activity in the industrialized world had an important stimulative effect on the developing economies of the ESCAP region during 1972-1973, and when the boom collapsed, a serious depressive impact which, compounded by higher oil prices and continuing inflation, was protracted in some cases. The non-oil developing countries of the region were aided in the ensuing recovery by the buoyancy of the Middle East export market, but although certain individual industries derived considerable benefit, the over-all stimulus provided was quite limited.

6. From the present viewpoint it is difficult to predict how the developed industrial economies will perform during the remaining years of this decade but a recent Organization for Economic Co-operation and Development (OECD) report⁴ indicates more favourable prospects for the growth and stability of the world economy in 1979. It is expected that present aggregate demand policies will result in a steady increase in demand in Japan and the Federal Republic of Germany with a slowing-down of the rate of increase in the United States of America. Together with the effect of exchange rate alterations in the latter half of 1978, this should result in a real growth rate of GNP in OECD countries of about 3 per cent and balance of payments equilibrium for the OECD area considered as a whole. The latter is likely to be secured both as a result of the appreciation of the yen and deutschemark and the devaluation of the United States dollar, and by the opposed movements in the growth of aggregate demand in the three major economies.

7. The determinants of the rate of growth in the developed industrial economies involve complex interrelations between external equilibrium, the level of internal demand, inflation, unemployment and productivity in these countries and are affected by a

¹ The collapse of the international monetary system may also be cited, but its consequences were obscured and reduced in importance by the extreme price movements associated with the export boom and the international inflation. See *Economic and Social Survey of Asia and the Pacific, 1977* (United Nations publication, Sales No. E.78.II.F.1), part II.

² Consisting of Afghanistan, Bangladesh, Burma, India, Indonesia, Pakistan and Sri Lanka which in 1976 had *per capita* incomes of less than \$US 250.

³ Consisting of Hong Kong, Malaysia, Papua New Guinea, the Philippines, the Republic of Korea, Singapore and Thailand which in 1976 had *per capita* incomes in excess of \$US 250.

⁴ Organization for Economic Co-operation and Development, *Economic Outlook* (Paris), December 1978, pp. v and vi.

wide range of policies the details of which will not be discussed here. From the point of view of a developing country in the ESCAP region, however, steady growth is of paramount importance and it has become evident for a variety of reasons that such growth requires international co-operation in economic management. Fortunately, there are signs that the developed industrial nations are beginning to harmonize more successfully the management of their economies but the emergence of steady full employment levels of world growth, with satisfactory balance of payments adjustment mechanisms, and of trade flows in which the interests of the developing countries are fully represented will require further measures of international institutional reform. From a developing country viewpoint, not only do the rules of these international organizations need revision but greater scope needs to be provided for developing country participation in the decision-making processes.

(b) Increasing incidence of protection in developed economies

8. One major consequence of the slowdown in the rate of growth of the developed industrial countries during the mid-1970s and of their abnormally high levels of unemployment has been a growing incidence of protectionism. This has manifested itself in a variety of forms such as "voluntary" quotas, quantitative import restrictions, countervailing duties, price floors on imports and subsidies to domestic industries. Increased protectionism has also resulted from longer term structural factors which have made evident the growing comparative advantage of many developing countries in a range of manufacturing industries.

9. Virtually all developing countries in the ESCAP region have suffered from these protectionist policies; the countries in east and southeast Asia have been particularly affected. For instance, in the export of textiles and clothing the working of the bilateral system of quotas in the Multi-Fibre Arrangement has resulted in the reduction for three countries in this subregion of the absolute level of their exports to the European Common Market. Equally pernicious in their effects are new forms of agreement which limit the ability of the affected developing countries to diversify their exports into substitute product lines. Quotas on other manufactured goods of importance to developing countries in the ESCAP region affect footwear, steel and shipbuilding and there is growing pressure for restrictions on other products ranging from petrochemicals to bicycles, in which the countries of the region are showing improved comparative advantage.

10. The consequences of the increased level of protection and the likelihood that the situation could deteriorate raise matters of the gravest concern for ESCAP countries, developing and developed alike. From all points of view increasing protectionism will as a result of its trade multiplier effects, its disincentive impact on investment and its effect on the efficient allocation of resources, make steady growth in the developed economies difficult if not impossible to obtain. It will also add to the inflationary pressures in the developed economies to the extent that high cost domestic goods replace cheap developing country exports. As several recent studies show,⁵ its favourable direct impact on employment in the developed economies is likely to be more than offset by reduced employment in export industries and by the general impact on aggregate demand of the slowdown in the growth of world trade.

11. The impact of protectionism varies according to the amount and character of the actual and potential trade of the country concerned. In east Asia a few countries, which together account for over one third of world developing country manufactured exports and three fifths of clothing exports to developed economies, will be seriously harmed if severe restrictions continue to be placed on clothing or textiles. Furthermore, while their range of exports is fairly diversified and while they can be expected to emphasize the development of alternative exports, there is a distinct possibility that increasing protection in these areas could also check their development efforts. Other developing countries such as India and Singapore, which are relatively advanced industrially and which export a wide range of manufactured goods are also being frustrated by increasing protectionism in products other than clothing and textiles. In India's case this could easily divert attention from potentially lucrative export production in which it has developed a genuine comparative advantage.

12. Equally serious is the situation of a number of other middle-income and low-income developing countries which are only now developing a potential for the export of manufactured goods and which are challenging the previous comparative advantage of the east Asian countries. Such countries include Bangladesh, Indonesia, Malaysia, Pakistan, the Philippines, Sri Lanka and Thailand. Unlike the east Asian countries, they have yet to develop the marketing and production skills which might enable them partially to circumvent or overcome the effects

⁵ For example, A. Krueger, "The impact of the causes and consequences of world-wide inflation on the developing countries", paper prepared for Inter-governmental Group of High Level Experts on the effects of the world inflationary phenomenon on the development process, 24 July 1978.

of the range of quotas and other restrictions which impede their efforts to develop their national advantage in such export products as clothing, textiles and footwear.

13. Protectionist policies which affect non-manufactures in the developed industrial nations have throughout the 1970s continued to reduce severely the opportunities for developing countries of the ESCAP region. For non-agricultural primary products, tariffs or other barriers to trade are generally low but the incidence of effective protection increases substantially on the processed form of such products and prevents the developing countries concerned from obtaining the value-added by processing.

14. In the area of agricultural primary products, especially food, high effective protection has long been the policy of virtually all developed industrial nations. The heavy protection of agricultural production continues to deny developing countries of the ESCAP region a source for significant development gains.

15. The protection of primary products in developed industrial markets is one cause of concern; the fluctuations in the price of these goods is yet another. The economies of such countries as Indonesia, Malaysia, the Philippines and Thailand in southeast Asia, of many Pacific island countries, and of south Asian economies such as Bangladesh and Sri Lanka continue to be heavily dependent for export revenue upon the sale of their primary products in developed industrial country markets. Commodities such as tea, coffee, cotton, iron ore, maize, logs, tin, wheat, jute, sugar, rubber, rice and coconut and palm oil dominate the export baskets of many developing countries of the ESCAP region and have been subject to severe and disruptive price fluctuations during the 1970s. Efforts to stabilize commodity prices and export revenues are a matter of general and considerable concern for these countries.

16. One recent development which will influence the ESCAP region's patterns of trade and investment is the expanding participation of China in the world market. Depending on the extent of this participation, world trade in raw materials and commodities (including fuels) and in labour-intensive manufactures could be significantly affected. Countries such as Japan are likely to seize the opportunity to reduce their dependence upon traditional sources of supply of raw materials and commodities as well as to seek new and cheaper sources and to locate an additional market for industrial goods exports. Foreign investment flows within the region may also be affected.

(c) Oil price rise

17. The developing countries of the ESCAP region were seriously affected by the sudden rise in oil prices in 1973 and the further increases in subsequent years. The impact of increased oil prices on individual countries, however, has varied considerably. While the balance of trade and payments position of the oil-exporting countries improved markedly due to increasing oil revenues, that of other oil-producing countries, such as Burma and Malaysia, changed little. By far the largest group of oil-importing countries were adversely affected and most particularly those of south Asia. In spite of efforts made to restrain imports of oil and to promote domestic production of energy, the share of oil and other fuels in the total import bill rose substantially. For some countries nominal import values doubled and for others even trebled. Since export prices of manufactures and especially primary commodities did not keep pace with rising oil prices, export earnings were unable to meet even reduced import requirements. As a result, most of these countries faced serious balance of payment difficulties. The oil crisis also had significant depressive effects on the output of the automotive and related industries, petrochemicals and plastics. Agricultural production suffered from reduced fertilizer imports.

18. Increased costs of production and reduced output contributed in turn to the rise in the cost of living and to the general inflation which persisted in virtually all countries in the region even after the onset of recession in 1974 or 1975. However, the oil crisis encouraged the search for oil and for alternative energy sources. It is difficult to judge the extent to which these activities have succeeded in moderating the economic losses suffered from the oil crisis.

19. The increase in oil prices has given rise in the developing countries of the ESCAP region to increased efforts to find alternative supplies of energy, to utilize existing resources more effectively and to locate new domestic sources of oil and natural gas and other conventional sources of energy. Large increases in production are likely in India and smaller but significant increases are expected in Malaysia and Pakistan.

20. In terms of potential resources among developing countries, Afghanistan, Bangladesh, India, Malaysia, the Philippines, Thailand and Viet Nam have been found to have important reserves of oil and/or natural gas. Where these are undeveloped the increase in oil prices has made their exploitation more feasible economically. Of the other countries in the region, however, only Burma, Pakistan and

Papua New Guinea have proven resources. A major problem is the huge capital costs of searching for additional reserves. If the potential is not high, international companies often require profit margins which are unacceptable to the individual developing countries concerned. Yet these countries often lack the capital and skills to develop their own resources. One solution is for increased assistance by international institutions such as the International Bank for Reconstruction and Development (IBRD) which is already occurring. Another is for contiguous countries to enter into joint arrangements with transnational corporations, reducing risk by increasing the potential for discovery and joint exploitation through production sharing arrangements.

(d) Food crisis

21. The international food crisis which occurred in the first half of the 1970s emphasized the continuing vulnerability of many developing countries in the ESCAP region to the food supply situation and the impact upon their development which harvest failure could cause. Especially affected in this regard were the low-income countries of south Asia. Not only is agricultural production relatively more important in their economies and hence a harvest failure potentially more dangerous, but such countries are often subject to greater stringency of foreign exchange with which to secure additional food supplies on the international market. Where the foreign exchange is available it is often at the cost of urgently needed capital equipment imports; borrowing often endangers their debt servicing ability. For these reasons all developing countries of the ESCAP region have placed increased importance upon the domestic production of food, upon the accumulation of satisfactory stocks of food within the country and upon international policies to provide stocks of food for emergency situations and to develop the means of delivery of these stocks to affected areas.

(e) Concessionary and non-concessionary capital flows

22. The major problems which concern capital flows to the ESCAP region's developing countries are the insufficiency of concessionary flows to the low-income countries of the region, the debt situation of the same group of countries, the lack of access of these countries to the increasingly important private capital market and the potential instability of that market.

23. The capacity of the low-income countries of the region to service their debt is often limited and their development prospects have suffered during the 1970s because of an insufficient flow of conces-

sionary capital. Countries in which the debt situation was particularly acute as of 1976 and which urgently required measures of debt relief or increased flows of concessionary capital to cope with the situation include Bangladesh, Burma, Pakistan and Sri Lanka. In these countries the debt service ratio as a percentage of exports ranged from 13 to 21 and foreign exchange reserves were generally and seriously inadequate.

24. As of 1975 the annual rate of increase in the net real flow of official development assistance during the 1970s was only 3.3 per cent per annum from Development Assistance Committee (DAC) countries and amounted to only 0.36 per cent of their GDP as compared with the targeted figure of 0.7 per cent for the Second United Nations Development Decade. Some improvements did occur. The concessionary element of the assistance was increased due to an increase in grants, a reduction in interest rates and an extension of grace periods, and there was a relatively increased flow of assistance to the low-income developing countries of the region. Over half of the aid from DAC sources, however, continues to be tied. An additional encouraging aspect was the increased flow of assistance to the developing countries of the region from members of the Organization of Petroleum Exporting Countries (OPEC).

25. While the net flow of concessionary capital grew slowly in real terms, international lending on market terms by the private sector has grown dramatically since the oil price rise in 1973, with part of the surpluses of OPEC members being recycled via the developed industrial countries to the third world. Between 1970 and 1975 nearly 90 per cent of the net global increase in the disbursement of medium- and long-term capital was provided by the private sector and the flow of funds has continued to grow. In the ESCAP region, however, it has been a few middle-income countries to which the funds have been directed as it is these countries which offer the best security. One feature of this huge increase in the flow of private capital has been the increased role of commercial banks in general and of the lending of these institutions to governments and the private sector against government guarantees.

26. The increased role of private institutions in providing capital poses several problems from the point of view of the developing countries of the ESCAP region. First, because of the shortened maturity conditions on which such loans are offered, amortization payments have risen requiring additional financing. Both from the viewpoint of lender and borrower this is an undesirable trend in that medium-term loans are unsatisfactory for

long-term investments. Secondly, a relatively small number of banks are involved in this business and their confidence and willingness to lend to all countries in a particular region could be sharply affected by a crisis of confidence in any one country. Willingness to lend is also affected by domestic policies in the lenders' countries. The potential instability of this private capital market could be reduced by increasing the number of participating banks, by an increase in the provision of government guarantees for private loans and by increased facilities for emergency support by the International Monetary Fund (IMF). An increased flow of these funds through the IBRD would also be eminently desirable in that it would both increase the maturity of the loans and assist in reducing the virtual exclusion of the capital needy low-income developing countries from this source of finance.

2. Development experience in the 1970s

27. Three problems concerning any discussion of the economic development of the developing countries of the region should be noted. First, while the "social" aspects of development are examined in the third chapter, the separation of the economic and social dimensions of development is artificial and it is solely for convenience of exposition that the convention is used here. Secondly, in a region which is as heterogeneous as is ESCAP, generalizations are difficult. Accordingly an attempt has been made not to appraise development in the region as a whole but, by examining the experience of different subregional groups of countries, more appositely to assess the problems and prospects and to draw attention to the range of policies and diversity of styles of development. Thirdly, it has not been possible to give proper attention to the performance of the developing socialist economies of the region because of the paucity of available data and lack of knowledge of the functioning of these economies. This is unfortunate because these countries have given particular attention to integrated rural development, mass participation, mobilization of idle resources and the elimination of poverty, and these have been among the major objectives of development in the 1970s. Finally, no assessment of the performance of the developed economies of the region is made. These countries are well covered by OECD and other institutions.

28. It is instructive to compare performance in the region to date with performance in the First United Nations Development Decade. While there are exceptions, the situation of the low-income group of countries, in which the bulk of the poor of the world reside, continues to give grave cause for concern. IBRD data indicate that in the low-income countries of Asia, which includes south Asia

together with Indonesia, gross domestic product grew at 2.4 per cent between 1960 and 1970 and accelerated to 3.9 per cent between 1970 and 1975. The improved performance in the 1970s is deceptive, however. If Indonesia were not included in the group the 1970-1975 rate of growth would be reduced. More importantly, data on average growth in gross domestic product do not reveal what was happening to *per capita* incomes in individual countries. Between 1960 and 1976 the annual increment in average *per capita* GNP in this group of countries (percentages given in parentheses) were distressingly low: Afghanistan (0.0), Bangladesh (-0.4), Burma (0.7), India (1.3), Indonesia (3.4), Nepal (0.2), Pakistan (3.1) and Sri Lanka (2.0). Considerable variation appears in the comparison of *per capita* growth between the 1960s and the period 1970-1976: in Afghanistan and Indonesia annual rates of growth in the 1970s were twice those of the preceding decade; in Bangladesh and Pakistan they were only half as great. The generally unsatisfactory *per capita* growth records of the low-income countries requires some qualification, however. First, by historical standards of aggregate growth in the industrially-developed countries, the growth performance of these low-income countries has indeed been impressive. Yet population growth has also been persistently high, in every case more than 2 per cent per year over the whole period. Secondly, certain countries were temporarily afflicted by disturbed political conditions which severely affected their performance in the early 1970s. Finally, there is now evidence that in the last years of the 1970s improved economic growth performance will generally be attained by many of this group of countries. Moreover, some, including the largest, have laid the foundation for further manufacturing growth and export development in the future. The over-all impression, however, is one of grave concern for the welfare of the massive numbers who live in poverty in these countries.

29. Thus the pressure of population growth has taken its toll from a fairly satisfactory aggregate growth performance. While the population of these low-income countries is expected to grow from 1 billion in the mid-1970s to 1.6 billion by the year 2000, there have emerged signs that are encouraging. Fertility ratios have fallen in countries such as Burma, India, Indonesia and Sri Lanka, although they continue to be high in Bangladesh and Pakistan. In contrast with the other countries, neither of the latter has proceeded far with social services aimed at reducing the rate of population growth.

30. In macro-economic terms the development of the group of seven countries and areas in east and

southeast Asia was very successful during the 1970s. Of the seven, Hong Kong, Indonesia, Malaysia, the Philippines, the Republic of Korea, Singapore and Thailand, five recorded higher rates of growth in gross domestic product during the period 1970-1976 than they did during the 1960s. All of them surpassed the Second United Nations Development Decade target of 6.0 per cent for the later period, ranging from the Philippines with 6.3 per cent to the Republic of Korea with 10.3, with an over-all average of 7.2 per cent. Moreover, there are indications that this performance will be sustained for the remainder of the decade.

31. In all but the Republic of Korea and the small urban economies of Hong Kong and Singapore, population growth rates were as high as in south Asia. Even so, average annual *per capita* growth rates in gross national product during the period 1960-1976 ranged from a low of 2.4 per cent in the Philippines to 7.3 per cent in the Republic of Korea. Encouragingly, there is clear evidence of a decline in population growth rates in the 1970s in all seven of them.

32. Only fragmentary evidence is available concerning achievements in the socialist developing countries of the region in the 1970s. The countries of Indo-China have been affected by political strife which even the end of the war in Viet Nam has not concluded, and all these countries face the huge task of reconstructing their war-damaged economies. Although data are not comparable with the other economies of the region evidence suggests that Mongolia has experienced satisfactory growth during the 1970s.

33. Varying economic growth performances are generally correlated with shifts in the structure of production and with the percentage of the work force employed in the agricultural, industrial or services sectors. The low rates of growth in *per capita* gross domestic product in south Asia gave rise to only a small decline in the large proportion of gross domestic product generated in the primary sector or of the work force engaged in agriculture. In the mid-1970s two thirds or more of the work force in Bangladesh, Burma, India, Nepal and Pakistan were still in agriculture.

34. In the countries of southeast and east Asia there have been marked shifts in the structure of production and in the sectoral allocation of the work force which have taken place during the period 1960 to 1976 and at an accelerated rate in the 1970s. In virtually all of the countries there has been a steady decline in the relative importance of agriculture in total production and in the proportion of the work force engaged in agriculture. In no country as of 1976 was the contribution of

agriculture to production greater than 30 per cent, although the proportion of the work force engaged in agriculture was considerably higher.

35. The trend in work force figures, however, is unmistakable and has its corollary in the stream of migrants from the rural areas for low-wage occupations in the informal urban sector. This shift of population to urban areas has created serious strains on urban services and labour markets. This is reflected in dualistic urban centres where small modern communities co-exist with urban slums. As yet the characteristics of this shift in population and the factors making for further growth in city size have not been adequately examined; and as a practical matter more innovative approaches are urgently required to deal with the serious derivative problems of shelter, transportation, sanitation, etc., which have intensified greatly as the shift has proceeded unabated.

36. For well known reasons agriculture continues to play a pivotal role in the majority of the developing countries in the ESCAP region. It remains the — in some cases overwhelmingly — dominant source of employment; it is the vital source of food and of raw materials for much of industrial production; for most countries it is the source of foreign exchange, with which capital equipment vital to development can be purchased; it provides the market for a domestically based expansion of industrial production; it makes for inflation and domestic instability in time of harvest failure; and it is in agriculture that the bulk of the poor in Asia are to be found.

37. In the economies of south Asia all of the above factors hold *a priori* and it is for this reason disturbing to see the relatively poor growth record in the agricultural sector during the 1970s to date. Comparing the period 1970-1976 with that of the 1960s, there was an appreciable fall in the rate of increase in agricultural output in Bangladesh, India, Pakistan and Sri Lanka. In none of these countries did the average annual rate of increase in output reach 2 per cent. Nevertheless, the average for the decade considered as a whole is likely to rise as a result of good harvests in recent years offsetting the impact of poor harvests in the early 1970s. The fact remains, however, that agricultural production for the decade is well below that necessary to deal with problems of over-all growth, employment and poverty eradication.

38. The productive potential of high-yielding seed varieties has not been realized in most of the developing countries of Asia. Yields remain consistently well below what could be attained with available technology and under existing institutional

conditions and the present level of investment in agriculture. It has been estimated that production increase of up to 2 per cent a year in agriculture could be achieved for a decade or more by better farm management and utilization of surplus labour alone. The extent to which these gains can be attained depends mainly on the provision of effective extension services and adequate access to production inputs.

39. Another more vexing problem that has arisen during the 1970s concerns the allocation of investment to agriculture. Given a modest improvement in performance as suggested above, a growth rate of 3 per cent or more should be attainable in agricultural output in south Asia which would be sufficient to sustain growth rates in gross national product of around 5 per cent. Increases in agricultural output can be secured by increasing the proportion of investment allocated to agriculture in order to capture the large undeveloped potential for irrigation in the region. For instance, only around one quarter of India's farmlands are irrigated and it is estimated that this could be raised to one half. Increases of differing but still important orders of magnitude can be achieved in the other countries. Additional investment in irrigation would also increase the potential for improved seed technology and for the increased use of fertilizers and pesticides.

40. There is considerable scope for improved productivity in agriculture as the result of institutional reform. While the empirical evidence concerning the relation between increased output and land reform is ambiguous, the consolidation of land holdings and the up-dating of land records to establish land and cultivation rights would greatly increase the profitability of investment in innovative, small-scale technologies such as tube-wells and pumps. It would also permit more efficient land levelling, soil preparation, planting and harvesting.

41. Industrial performance in the region's developing countries reveals again the diversity of approaches to development. In some countries greater emphasis has been successfully placed on self-reliant forms of development which minimize the role of transnational corporations and aim at a pattern of production consistent with the needs of the population at low levels of income. In others the role of the public sector has been emphasized, and in all countries there are marked differences in the degree of official control over the industrial sector. Other countries have emphasized an export-led strategy which in some cases has increased problems of dualism.

42. The pace of development of the industrial sector has varied considerably among different groups of countries. In south Asia the performance of the industrial sector in the period 1970-1976 was generally poor by comparison with the decade of the 1960s although there are indications of more recent improvements, notably in India. In the time period under consideration, however, the rates of increase in industrial production in Bangladesh, India, Pakistan and Sri Lanka have fallen below the promising rates of increase achieved during the 1960s. In the southeast and east Asian countries the comparison of the early 1970s with the 1960s varied with approximately half of the countries improving on their earlier performance. The achievements of the 1960s, however, were obtained from very low bases. Generally speaking, the rates of increase obtained by this group of countries have been impressive and in all but one case exceed and sometimes considerably exceed the target set for the Second United Nations Development Decade.

43. The slow rate of growth of industry in the low-income countries, with the exception of Indonesia, was in part a consequence of the sluggish performance in the agricultural sectors of those countries. With low income growth in agriculture the demand for industrial goods was reduced and the supply of raw materials to the industrial sector diminished. Other factors which influenced industrial performance in the region in most of the non-socialist developing countries were a tendency to grant excessive protection and for official control to hamper the development of more efficient firms and industries.

44. At a time when the developing countries are justifiably attacking the increased protectionism of the developed economies, they need also to recall that when tangible externalities do not exist, excessive protection of domestic markets fosters inefficient production. Sometimes this is due to official preoccupation with the expansion of physical capacity rather than with competitive efficiency. In some instances the effects of excessive protection are reinforced by extensive systems of licensing and controls which hamper the expansion of firms that have demonstrated a potential for vigorous industrial expansion. Moreover, these measures often favour large-scale capital-intensive industries which may not need them, rather than smaller-scale labour-intensive ones. Such controls are commonly imposed to achieve social objectives but it is also important to evaluate their effectiveness and to minimize the trade-off between attaining certain social objectives and creating a more efficient and dynamic industrial sector that will provide greater opportunities for employment and growth.

45. In many of the countries of the region, however, including some of the low-income countries such as India, a great deal has been accomplished to develop managerial expertise and technological skills together with a network of financial and commercial services which are playing a prominent role in industrial development.

46. As far as the mobilization of resources is concerned, the performance of the middle-income countries has generally been satisfactory. As a percentage of gross national product, gross national savings were much higher in the 1970-1976 period than during the 1960s and in 1976 ranged from 22 per cent in Thailand to 30 per cent in Malaysia. Domestic resources in most countries were supplemented by foreign resources to yield investment ratios which ranged from 22 per cent in Malaysia to 38 per cent in Singapore. As indicated earlier, the debt servicing capacity of these countries is generally adequate; investment and national savings ratios of this order of magnitude combine to provide optimistic growth prospects.

47. The situation with respect to the low-income group of countries causes concern. Investment ratios in these countries have generally been inadequate to sustain rates of growth in gross domestic product in keeping with the objectives of the Second United Nations Development Decade. In all cases national savings have been insufficiently augmented by foreign resource inflows. The possible exception is India which in 1976 made negligible use of foreign resources and generated a national savings ratio of about 19 per cent. A greater inflow of foreign capital, a greater effort to mobilize domestic savings or some combination of the two should provide this country with sufficient resources for growth. The land-locked countries of Afghanistan and Nepal and the economies of Bangladesh and Pakistan, however, have been and for some time to come will presumably continue to be dependent upon substantial foreign capital inflows. Indeed, if modest growth rates are to be achieved in these countries and some impact is to be made on the prevailing poverty, an increase in the relative importance of foreign resource flows may be essential. For this group of countries in particular, hard choices must be made to limit increases in consumption and to increase the mobilization of domestic resources by the reform of taxation systems, more realistic pricing of the provision of public goods and services and by increasing the incentives for private savings.

48. The developing countries of the ESCAP region continue to differ greatly in their reliance on foreign capital as a supplement to domestic saving. The

relatively small foreign capital component in the south Asian economies has resulted in part from their difficulties in generating inflows, a situation which has already been referred to as one of the major international development problems confronting the region. This situation also arises, however, out of the governments' emphasis on self-reliance, accompanied by their concern over the potential counter-development influences of transnational corporations. As a result, these countries have tended to offer more limited foreign investment incentives than have their east and southeast Asian neighbours and have imposed a variety of restraints on the entry of private foreign investment except in specifically identified fields. In east and southeast Asia liberal incentives to foreign investors continue to be provided, though the competition in investment incentives of the early 1970s has moderated considerably as concern has emerged over the possible distortions generated by large-scale foreign investment into economies still at the middle rung of the development ladder.

49. Reference has been made above to the problems confronting the exports of developing countries of the ESCAP region in world markets. Despite the slowdown in the rate of increase of world trade and output and the adverse shift in the terms of trade which occurred in the mid-1970s many countries were able to sustain the rate of growth in their exports and, after the initial shock of the oil price increase in late 1973, make the changes required to defend their balance of payments position. The notable exceptions were certain of the low-income developing countries of the region (excepting India) for which the balance of payments were affected by a combination of factors involving adverse shifts in the terms of trade and stagnant demand for their traditional commodity or raw material exports, together with a rapid increase in import expenditures.

50. In the middle-income developing countries the primary commodity producers sustained respectable rates of increase in exports despite adverse shifts in their terms of trade as a result of aggressive policies of export diversification and by domestic demand policies which restrained rates of inflation to levels below those in the advanced industrial economies. Access to international capital markets also enabled them to weather the effects of the rapid oil price increase. In the period 1970-1976 many of the developing countries of the region demonstrated that they had developed considerable expertise in the management of their economies and that they have sufficient flexibility and resilience to adapt to a new set of international economic conditions.

51. The most noteworthy development in terms of subregional co-operation has been a revitalized approach to the concept and development of the Association of South-East Asian Nations (ASEAN). On the economic front, the main development to date has been an increased readiness to adopt a common approach to external economic issues both with regard to the global concerns of a new international economic order and in relation to common trading interests such as commodity issues. Less impressive has been the move towards the freeing of intraregional trade, which (excluding the entrepot trade) is a minor fraction of total ASEAN external trade. Consequently, although there have been several cuts in tariff levels, these do not appear to create large opportunities for trade expansion nor to jeopardize existing industries. Some danger persists that ASEAN might lead to greater trade diversion (the substitution of high-cost internal sources of goods for lower-cost external sources) rather than trade creation, through the establishment of production within the region and with the region as a common market. Where new industries are concerned, there is evidence of reluctance on the part of members to give up national claims for the location of the industry without the *quid-pro-quo* of a comparable establishment at home. Such hesitancy is to be expected in the early phases of co-operation; ASEAN remains potentially the most viable prospect for subregional development.

52. Another encouraging aspect could be the revitalization of the Mekong project following the cessation of hostilities in Indo-China. The potential benefits from this international effort in collaboration in river basin development are large and if successful could point the way to similar schemes, particularly in south Asia. In the latter area, an easing of political tensions during the decade makes feasible the further contemplation of schemes for regional trade creation in what was once a vast free-trade area.

3. Changing perceptions of development in the ESCAP region

53. The decade of the 1970s has witnessed substantial changes in attitudes in the developing countries of the ESCAP region towards development problems both in terms of international and domestic policies. Internationally, this has been made manifest by the support which all the developing countries of the region have given to the developing-country position in various international forums and as expressed in the results of those deliberations are briefly sketched in the concluding chapter.

54. This shift in perceptions at the international level has occurred for a variety of reasons. First, after more than a generation of independence the developing countries have reviewed the results of their development efforts. While these have been impressive in many ways, and especially in terms of the growth achieved in certain subgroups of countries, disturbing features remain. Despite impressive growth performances, the gap between the living standards of the developed and developing countries persists in relative terms and has grown much larger in absolute terms. While this statement needs modification in light of the differing fortunes of different groups of developing countries, it holds *a fortiori* for the low-income countries of Asia in which the bulk of the world's poor reside. In these circumstances there has been a growing awareness that within developed industrial countries measures have long been underway to reduce extremes of income and wealth, particularly by policies which have sought to create greater equality of opportunity among all classes in society as well as by measures to redistribute income. In a variety of forums developing countries are now demanding that, through greater equality of opportunity and as the result of special remedial measures, the extreme disparity in living standards among countries be reduced, emphasizing that an international economic system which perpetuates these disparities is neither just nor efficient.

55. As the awareness of this situation has grown more poignant in the developing countries and as governments and other spokesmen have become increasingly articulate in presenting their points of view, an awareness has also grown of the potential economic and political power of the third world. The turning point came in the action of OPEC, which underscored the interdependence of the world economy by the use of its position in the world oil market to obtain more equitable remuneration for its products. Subsequently there has grown an increased preparedness on the part of developing countries to identify areas in which market leverage can be organized and exerted. The economies of the third world are the producers of the bulk of the world's raw materials; they provide profitable commercial and production opportunities for transnational companies; they also provide an important and growing market for the industries of the developed industrial economies as well as a supply of low-cost, labour-intensive manufacturers to those countries. In addition to these features the developing countries also contain within their boundaries the market potential of the vast majority of the world's population.

56. The salient dimension which these factors have highlighted is the rapidly increasing interdependence

of the international market economy. The common good requires that all countries participate fully in the economic management of a world economy in which resources are limited and in which an economically viable and environmentally sound development of these resources implies that all countries should mutually benefit. This heightened awareness of global interdependence has shaped the outcome of many resolutions and declarations identifying the elements of the new international economic order. It touches such vital concerns as trade in manufactures, raw materials and commodities; the exploration of the resources of the ocean; the global supply of food and energy; and the problems of ensuring effective management for balanced and continuous progress in the world economy.

57. During the 1970s the developing countries of the ESCAP region became not only increasingly sceptical about the working of an international economic system in which wealth and incomes were very unequally distributed but also about the impact of domestic policies upon the distribution of incomes and wealth within their own societies. Though these changing perceptions have perhaps been less apparent than the thinking about international economic inequality, there is an accumulation of evidence in the development plans of member Governments and in a variety of official statements of deep concern and rising indignation about conditions of poverty within their countries and of the limited effectiveness of existing strategies to deal with these conditions. In what is far from an isolated example, the Planning Commission of the Government of India succinctly stated that:

"... assessment of India's economic development over a quarter of a century of planning has indicated some fundamental failures and it is to take account of these that the need has arisen for a reappraisal of the development strategy. ... the most important objectives of planning have not been achieved, the most cherished goals seem to be almost as distant today as when we set out on the road to planned development. These aims are universally accepted by the Indian people: they are the achievement of full employment, the eradication of poverty and the creation of a more equal society."⁶

58. In addition to the mounting anxiety in individual countries there has also been increased emphasis in the international organizations represented in the Administrative Co-ordinating Committee of the United Nations and on the part of multilateral and bilateral providers of foreign assistance on the need to re-evaluate the objectives,

concepts and methods of development and development assistance. Although analyses of past failures have varied, there has been a common and emphatic insistence upon the need for domestic strategies addressed not only to problems of economic growth but also to the welfare of the poor and the potential for increasing their participation in the development process.

59. As manifested in the development plans of member Governments and in the statements of international organizations, the shift in emphasis in the policies of member Governments has two primary characteristics. First, changes in objectives and policies reflect a common disillusionment with a strategy of development which placed almost exclusive emphasis on economic growth in materialistic terms and which relied on the benefits of such growth to trickle down eventually to the poor and under-privileged in the societies concerned. In its extreme form such strategies emphasized the accumulation of capital by the means of a deliberately skewed and highly unequal distribution of income. In its more common and less extreme form, concern about poverty was reflected in policies which sought to alleviate the lot of the poor by redistribution of income rather than by a direct effort to raise the productivity of the low-income groups.

60. The second dominant aspect of a re-thinking of domestic development strategies as revealed in the development plans of member Governments is a desire to grapple directly with the problems of the poor, most of whom live in rural areas, through policies which will raise their productivity and their ability to assist themselves. Although such strategies vary widely, as they must do in a region with great diversity of cultures and styles of development, these strategies are characterized by three features: first, increased access of the poor to productive assets; secondly, greater opportunity for the poor to participate in income-generating activities, including the scaling-down of technology to accord with both needs and capabilities; thirdly, greater participation of the poor in the development process: in shaping objectives and policies, in the implementation of these policies and in the sharing of the fruits of, as well as the responsibility for, their success. The thinking of member Governments as expressed in their development plans is also reflected in their support for resolution 180 (XXXIV) of the Commission when, in requesting the Executive Secretary to draw up a regional input for an international development strategy for the 1980s, they affirmed that:

⁶ Government of India, *Draft Five-Year Plan 1978-83* (New Delhi, Planning Commission, 1978), para. 1.13.

"... the input from the ESCAP region into preparations for the new international development strategy should be based on the necessity for economic growth with social justice, *inter alia*, through continuing efforts to eliminate poverty with the provision of basic needs, improve the quality of life, achieve a more equitable distribution of income, and increase participation by the population, especially the rural poor, in the process of development."

61. At best, the evidence concerning the trends in employment, basic human needs, and income distribution in the region is inconclusive. Evidence, not all of it reliable, varies from country to country and from region to region within the same country. For an assessment of poverty, considerable ambiguity has arisen whether poverty is to be considered in a relative or an absolute sense. What cannot be contested, however, is that in the ESCAP region the decade of the 1970s commenced with record levels of unemployed and those living in conditions of socially unacceptable poverty and that in absolute terms this situation will have deteriorated further by the end of the decade. In terms of what the World Bank defines as absolute poverty the ESCAP region contains approximately two thirds of the global total of the absolutely poor, who in 1970 were numbered in the hundreds of millions. There can be little doubt that this figure will be higher by the close of the decade.

62. The apparent discrepancy between government intentions as expressed in development plans and the results, which admittedly sketchy evidence reveals, may be attributed to several factors. First, in many countries the change in perceptions of development and in the thrust of policies has been recent. Even under favourable circumstances the results will take time to appear. In adopting new policies governments are conscious that increasing the productivity and incomes of the poor must be accomplished in the context of satisfactory over-all growth, and a process of trial and error will undoubtedly be necessary in seeking to fit such new strategies to over-all growth. Secondly, although member Governments may be committed to the reduction or elimination of the worst forms

of poverty within their societies, there inevitably exists a variety of political, bureaucratic, institutional and social forces resisting the contemplated changes. An excellent example of this in the ESCAP region is land reform. Most governments have enacted land reform measures aimed at redistributing the ownership of land and seeking to improve its management. Yet there are many examples where the clearly expressed intent of the government has been largely thwarted by an array of vested interests. Thirdly, policies which have sought to attack the problems of poverty by redistributive measures rather than by raising the productivity and income earning capacity of the poor have been generally ineffective. Fiscal policies in the developing countries of the ESCAP region have generally failed to exercise a significant redistributive effect. Where they exist, progressive tax systems have often been characterized by inefficient revenue collection. Indirect taxes are often regressive in nature. On the government expenditure side there is considerable scope for redistribution of income, but in practice this does not often appear to occur. Often there are other important priorities such as defence; there has been a pronounced bias in favour of expenditure in urban rather than rural areas where the bulk of the poor dwell; and public expenditures in such areas as education, health and social welfare often fail to reach the intended groups.

63. In other instances governments have sought to influence income distribution or welfare by the adjustment of relative prices in goods and factor markets. At best, evidence relating to the income distribution or welfare effects of pricing policies which alter the rural/urban terms of trade is difficult to assess although measures to reduce food prices for certain target groups could be beneficial depending on the means whereby the subsidy is financed and on the impact upon producers' prices. Efforts to prescribe minimum wages have also had dubious results. Often it is easy to circumvent such regulations, and even where they are effective they tend to encourage the adoption of relatively capital-intensive production processes and reduce the demand for labour.

II. GROWTH PERFORMANCE AND STRUCTURAL CHANGE

A. AN OVERVIEW OF GROWTH PERFORMANCE

64. The impact of the economic crises marking the first half of the Second United Nations Development Decade was highly variable in terms of both timing and severity on the over-all expansion of the developing ESCAP economies. However, with few exceptions the pace of GDP and domestic resource growth in these countries slowed markedly, and patterns of domestic resource utilization—particularly investment—deviated from past trends for varying periods during the crisis years, even though in some cases the slowdown proved to be short-lived.

65. The immediate sequence of events constituting the economic crises and the reasons for their differential impact on the developing ESCAP economies have been discussed at length elsewhere.⁷ What follows is a brief review of the aftermath of these crises and their longer-term impact on over-all economic expansion in the developing countries of the ESCAP region. This review places the more recent data in the perspective of performance during the current decade and that of the decade of the 1960s. Special attention is paid to the growth of GDP and the flow of resources available for domestic use, and to developments in saving and investment.

1. Growth of GDP and domestic resources⁸

66. The GDP data compiled in table 1 show that in the majority of the developing countries of the ESCAP region 1976 was a year of recovery from the recession of 1974-1975. Preliminary information for subsequent years suggests that this recovery moderated quickly and was not maintained into 1977 in many countries. An important exception to this pattern was apparent in south Asia, where India, Pakistan and Sri Lanka showed declines in rates of GDP growth in 1976 following significant increases in 1975. However, the 1976 recovery was spectacular in Bangladesh, Hong Kong, Iran, Malaysia and the Republic of Korea, while for most others it was at least in line with the average rates of expansion for the decade.

67. With the major exceptions of Iran and Papua New Guinea and with a number of other relatively minor ones, the growth rates of GDP and domestic resources (DR) were of comparable magnitude during the 1960s and the early 1970s (table 1). A year-by-year comparison since 1973 reveals, however, that divergences between these two rates were large in many cases, particularly for the more heavily trade-oriented countries. These divergences

reflect the turbulence of the 1970s, and in particular the large changes in international purchasing power encountered by the developing countries of the ESCAP region; they also reduce the adequacy of GDP as a measure of annual resource availability. In some cases stagnant or declining flows of resources available for domestic use have accompanied buoyant growth in real GDP when serious deterioration occurred in the international purchasing power of a country's exports. In most cases, although the deterioration in the terms of trade was both large and abrupt, the developing countries of the region maintained import volumes despite the adverse effect on the balance of payments, thereby avoiding the more serious consequences of stagnation or decline in the availability of domestic resources.⁹

68. India, Pakistan and Sri Lanka experienced similar year-to-year GDP fluctuations in the aftermath of the international economic crises. Both India and Pakistan enjoyed buoyant agricultural growth in 1975/76¹⁰ and thus relatively rapid over-all expansion in that year, but they both suffered setbacks in agricultural and manufacturing production in 1976/77. In India agricultural production slumped in a variety of crops, and in both countries the fall in production of commercial crops (such as cotton) had a direct restraining influence on industrial output. Provisional estimates for 1977/78 indicate a renewal of expansion in keeping with the past record of variable performance. Although this is a sign of strength in so far as it demonstrates the capacity of agriculture to fuel over-all economic expansion in favourable years, it also reflects weakness in so far as agriculture remains highly vulnerable to changeable natural conditions. Much the same may be said of Sri Lanka, with the difference that 1975 and 1976 were poor crop years while 1977 showed evidence of recovery and continuing slow growth, which was at least partially attributable to poor performance by reorganized agricultural industries (rubber and tea).

⁷ *Economic and Social Survey of Asia and the Pacific, 1977* (United Nations publication, Sales No. E.78.II.F.1), especially part two, chapter II.

⁸ The concept of "domestic resources" (DR) is included in the present discussion because GDP is not entirely adequate as a measure of the total annual flow of resources available for domestic consumption and investment, primarily because year-to-year changes in GDP do not reflect the volume of resource flows into and out of the domestic economy (real imports and exports). DR is used here in comparison with GDP as a convenient indicator of the real impact on an economy of changes in the purchasing power of exports on the world market, that is, changes in the income terms of trade. *Ibid.*, part two, chapter I.F, "Resource availability and consumption".

⁹ The more rapid growth of DR than GDP in Indonesia and Iran reflects the marked improvement of their terms of trade consequent upon the increase in the price of petroleum exports.

¹⁰ Reflected in 1975 in table 1.

Table 1. Developing ESCAP economies:
growth in GDP and domestic resources (DR)^a, 1960s and 1970s
(percentage per annum)

	1960- 1965	1965- 1970	1970- 1975	1973	1974	1975	1976	1977 ^b
	(— compound rates —)							
<i>West Asia</i>								
Iran								
GDP	9.1	12.2	9.0	11.6	7.6	2.9	10.7	-2.1
DR	6.6	11.1	16.3	15.3	22.3	24.7	7.7	5.6
<i>South Asia</i>								
Afghanistan								
GDP	1.7	2.2	2.9	11.4	7.7	3.0	6.3	...
DR	2.3	1.8	3.0	9.7	8.6	3.9	5.5	...
Bangladesh ^c								
GDP	4.6	3.3	-0.6	4.7	11.1	2.5	9.5	...
DR	5.3	3.6	-0.8	3.2	10.3	2.5	7.6	...
Burma								
GDP	4.3	1.7	3.1	-1.0	5.2	4.8	6.0	...
DR	5.1	1.4	2.4	-2.2	4.6	6.4	4.5	...
India								
GDP	3.7	4.7	2.9	3.7	0.2	8.9	1.5	...
DR	3.6	4.4	2.6	2.8	0.2	8.7	0.7	...
Nepal ^d								
GDP	2.4	2.6	2.2	-0.5	6.3	3.4	4.5	...
DR	2.4	2.1	2.6	-0.5	5.7	6.6	6.1	...
Pakistan ^e								
GDP	7.4	7.2	3.7	8.4	1.4	6.9	2.6	...
DR	7.5	7.0	2.7	7.0	3.4	5.6	2.3	...
Sri Lanka								
GDP	3.8	5.7	2.6	6.0	0.4	3.6	2.9	...
DR	1.7	5.5	1.1	4.5	2.3	-1.2	5.0	...
<i>Southeast Asia</i>								
Indonesia								
GDP	1.9	6.5	8.4	11.3	7.6	5.0	6.9	7.5
DR	1.7	6.5	11.3	14.4	12.2	8.4	6.3	5.5
Malaysia								
GDP	6.9	6.0	6.7	11.7	8.3	0.8	10.8	7.8
DR	6.4	4.9	6.4	12.4	15.5	-5.3	7.5	10.7
Philippines								
GDP	5.2	5.1	6.1	8.6	5.3	6.6	7.5	6.2
DR	3.9	1.1	6.6	6.9	11.0	7.3	4.8	3.2
Singapore								
GDP	5.8	12.8	9.5	11.5	6.3	4.1	7.5	8.1
DR	5.5	14.6	7.5	4.8	12.2	2.8	7.2	4.1
Thailand								
GDP	7.2	8.5	6.9	9.4	5.0	7.7	8.2	6.2
DR	7.5	9.8	6.1	15.1	3.3	5.9	7.4	7.7
<i>East Asia</i>								
Hong Kong								
GDP	12.2	7.8	5.9	14.2	2.2	2.9	16.7	11.9
DR	11.1	6.7	7.1	15.4	1.4	2.4	13.8	15.9
Republic of Korea								
GDP	6.3	11.1	10.2	16.4	8.8	8.8	14.6	10.3
DR	5.6	12.3	7.8	12.3	10.2	4.8	9.8	11.9
<i>Pacific</i>								
Fiji								
GDP	3.1	7.2	5.8	11.6	2.6	0.5	2.6	...
DR	5.0	6.0	8.1	14.1	4.7	2.7	5.0	...
Papua New Guinea								
GDP	7.4	6.3	5.3	8.7	12.1	-6.2	-0.3	...
DR	8.8	9.5	-2.6	-17.2	-8.9	6.7	-4.1	...

Sources: International Bank for Reconstruction and Development, Economic Data Sheet-1 (1978) and national sources.

Notes: ^a GDP and DR (domestic resources, see text footnote 8) at constant market prices.

^b Provisional.

^c Fiscal year beginning 1 July.

^d Fiscal year ending 16 July.

69. The remaining countries of the south Asian region followed highly varied patterns of growth in which the performance of agriculture acted as a determining factor. In Bangladesh, as in India and Pakistan, growth progressed in an erratic fashion. However, estimates of 1977/78 indicated a generally good outcome, with the production of major crops such as rice and wheat attaining record levels and jute and sugar also recording increases. In Nepal, years of slower growth (1972/73 and 1974/75) coincided with the poorer agricultural crop years of the whole subcontinent. Output of the primary sector as a whole improved in 1975/76, but subsequent experience was mixed, with the output of cash crops (such as jute and sugarcane) increasing while foodgrain production declined sharply to a level below that of the previous three years. In Burma, the growth rate of GDP was reasonably well sustained in the post-crisis years, with rather higher annual rates of increase than those of the late 1960s and early 1970s. Afghanistan presents a special case, for although its over-all expansion remained highly dependent on the performance of agriculture a number of favourable factors combined during the early 1970s to insulate its economy from the harsher effects of the international crises, including a close trading relationship with the USSR which assured supplies of petroleum at relatively stable prices and provided a dependable market for major exports (cotton and natural gas).

70. Among the southeast Asian countries, the Philippines and Thailand recorded the earliest recovery from the trough of 1974. In the Philippines the expansion was attributable in part to reconstruction undertaken in the aftermath of the natural disasters of 1972. The programmes to expand investment in infrastructure and improve agricultural production over a period of several years appear to have accelerated over-all economic growth from 1975 on. Continuing export expansion of some of the country's major crops, accompanied by continuing high public investment in the construction sector, assisted the economy to maintain growth in excess of 6 per cent through 1977. Despite a revival in private investment during 1978 the economy expanded marginally less rapidly than in 1977. In Thailand, the revival in export demand for major agricultural commodities combined with the continuing expansion of government consumption and investment to raise the growth rate in 1976 over the performance of 1974 and 1975. This was followed in 1977 by a year of mixed performance, with rice and maize production seriously reduced by drought while mining enjoyed a boom year and manufacturing (including textiles), construction and utilities moved ahead strongly. Despite anxieties over the effects of unfavourable weather conditions

Thailand's agricultural performance in 1978 showed marked improvement over 1977 while GDP growth expanded by 8.7 per cent as compared to 6.2 per cent a year earlier.

71. In Malaysia, an economy highly sensitive to international economic fluctuations, the behaviour of export demand goes a long way to explain the uneven expansion of recent years. The rate of GDP growth in 1975 fell sharply in response to stagnation in export demand, with several major export commodities (rubber, tin, sawn timber and logs) declining in volume. In 1976, however, the GDP growth rate recorded a substantial rise as exports surged forward at a rate of nearly 20 per cent in volume terms and as investment rebounded from the earlier recessionary slump. Fueled further by an expansion in the domestic petroleum industry, continued growth in export demand and investment permitted a continuation of the revived growth rate, though at a more moderate level, in 1977. Slight moderation in the growth rate occurred in 1978, and it was anticipated that growth would continue at a rate exceeding 7 per cent in 1979.

72. The urban economies of Hong Kong and Singapore suffered the effects of the international economic crises at different times. Largely as a result of reviving textile and garment exports, Hong Kong picked up momentum from the second quarter of 1975 and boomed at an unprecedented rate throughout 1976, with GDP attaining an annual expansion of over 16 per cent. A rate of growth comparable with the expansion of the early 1960s was maintained during 1977 and 1978, with export buoyancy underpinned by heavy investment in construction and infrastructure. In the later part of 1978, the main concern was that Hong Kong's economy would soon reach the limits of its productive capacity, leading to manpower shortages and serious inflation. By contrast, the pace of Singapore's recovery after 1975 was more gradual and moderate. However, commodity processing (petroleum and rubber) picked up steadily and dynamic manufacturing sectors such as electronics made an important contribution to growth of around 8 per cent in 1977. For 1978, preliminary estimates indicate that the economy expanded at a rate of 8.6 per cent, yielding an average rate of GDP growth of about 7.5 per cent for the years 1970-1978.

73. The Republic of Korea, like Hong Kong, enjoyed a relatively early revival in export demand in 1975. Exports again proved to be the most dynamic component of final demand in the following year, with a broad spread of manufacturing activities benefitting from this upsurge and GDP expansion reaching nearly 15 per cent. During the early part

of 1977 industrial production growth slowed from the pace of 1976 but exports continued to surge ahead, enabling the country to achieve its remarkable export target of \$US 10,000 million. Preliminary figures for 1978 indicate that GDP growth exceeded the 10 per cent increase recorded in 1977 with a growth rate of around 12 per cent being recorded at year's end.

74. The two major oil-exporting countries of the region, Indonesia and Iran, both suffered declines in the volume of their principal export in 1975, which dampened their rates of expansion in that year. The impact on the Iranian economy, which depended on oil for more than 90 per cent of its export earnings, was greater than on Indonesia, where oil contributed around 70 per cent of export earnings. Both economies saw a resurgence of growth in 1976, and in Indonesia this expansion was sustained in 1977 by growing demand for export commodities other than oil (such as rubber and timber) as well as by rising investment. In 1978 the expansion of both these economies was again affected by a slackening in foreign demand for oil, and in Indonesia a relatively good performance of commercial crop production helped to maintain GDP growth at 7.5 per cent, unchanged from 1977.

75. In neither Fiji nor Papua New Guinea, did growth performance in 1976 signal sustained recovery. Weaknesses in key export markets (sugar and copper respectively) of these highly trade-oriented economies were partly to blame. In 1977, both countries enjoyed more buoyant growth, but preliminary estimates indicate that growth was less buoyant in 1978. Unfavourable weather conditions as well as weak sugar prices dampened growth in Fiji, while declining export prices for coffee, cocoa and copper concentrates limited the expansion of the economy of Papua New Guinea.

2. Utilization of domestic resources (DR)

76. The appreciable divergence between GDP growth and the flow of resources for domestic use (DR) in many developing countries of the ESCAP region in the aftermath of the crises of the 1970s reflects, as noted earlier, the impact of changing terms of trade on their domestic economic performance. The most serious consequences were suffered by countries that encountered heavy deterioration in the barter terms of trade, those with major constraints on export growth and those which had only limited external borrowing capacity. Without implying the existence of these conditions in all cases, it is evident from table 1 that the south Asian countries were most persistently affected

though the significance of these effects was tempered by relatively limited dependence on external trade (cf. table 6 below, showing the share of exports in GDP).

77. Growth rates of DR for Bangladesh and India over the period 1973-1976 were, for example, consistently lower than GDP growth; India suffered a continuing decline in its barter terms of trade from 1972 on, although the decline in the income terms of trade was more moderate and was arrested in 1976 (see discussion in chapter II, section D). The slower expansion in domestic resources was accompanied by restrained rates of growth of private consumption (see table 2). Given the volatile behaviour of inventory levels on a year-to-year basis, gross domestic capital formation (GDCF) is not a reliable indicator of investment levels. Nevertheless, it is apparent that there was an investment revival in most of the south Asian countries, although this improvement was not sustained into 1976 except in Bangladesh and Pakistan.

78. Among the developing economies of east and southeast Asia (including Indonesia, the performance of which was markedly influenced by the behaviour of oil exports) there was a rather more consistent pattern of year-to-year change in DR utilization in the aftermath of the international economic crises. Growth in private consumption was fairly regular with the exception of 1975, which saw an absolute decline in Malaysia and large reductions in the rate of growth in Hong Kong, the Philippines, Singapore and Thailand. In Hong Kong and Thailand, in fact, the reduction had started as early as 1974, but except for the Philippines all had recovered to their earlier rates by 1976 or 1977. Government consumption in these economies does not generally appear to have been seriously influenced by the crises. The substantial increase in government consumption in Malaysia in 1975, as elsewhere throughout the region in that year or before (e.g., Hong Kong, the Philippines, the Republic of Korea and Thailand, as well as India and Nepal) reflected in part increased spending on subsidies, salaries and welfare payments as responses to the slowdown or to inflation. However, it was investment that showed the sharpest reaction to the crises in the east and southeast Asian developing economies. Investment expansion continued at high rates during 1973-1974 but then reacted sharply in 1975 while encountering sizable absolute declines in Malaysia and Singapore and a virtual standstill in Hong Kong and the Republic of Korea. Investment recovered in 1976 and 1977 except for Singapore. In the Philippines and Thailand, decline in the rate of investment growth occurred in 1976 and the decline continued in 1977 in the Philippines.

Table 2. Developing ESCAP economies:
utilization of domestic resources, 1960s and 1970s (constant prices)^a
(changes in percentage per annum)

	1960- 1965	1965- 1970	1970- 1975	1973	1974	1975	1976	1977
	(— compound rates —)							
<i>West Asia</i>								
<i>Iran</i>								
Private consumption . . .	5.2	10.6	6.4	16.4	11.9	5.8	0.4	17.9
Government consumption . .	11.1	15.3	27.6	17.5	46.8	16.5	6.3	—10.5
Investment (GDCF) . . .	9.2	9.6	30.4	11.1	23.0	71.8	18.7	3.7
<i>South Asia</i>								
<i>Afghanistan</i>								
Private consumption . . .	2.1	1.4	2.2	10.9	7.2	1.1	0.5	...
Government consumption . .	...	...	9.9	4.9	2.3	38.6	4.9	...
Investment (GDCF) . . .	4.0	—3.6	3.7	0.0	28.6	15.6	49.0	...
<i>Bangladesh</i>								
Private consumption . . . }	4.5	3.3	0.2	—1.0	14.6	1.3	7.4	...
Government consumption . . }								
Investment (GDCF) . . .	15.6	6.3	—12.3	94.0	—37.9	27.7	10.2	...
<i>Burma</i>								
Private consumption . . . }	3.7	2.6	3.0	0.6	3.2	6.0	4.6	...
Government consumption . . }								
Investment (GDCF) . . .	13.7	—5.0	—1.6	—24.2	18.7	9.8	4.0	...
<i>India</i>								
Private consumption . . .	2.4	4.7	1.8	5.6	—1.9	4.7	3.1	...
Government consumption . .	8.9	—1.4	2.4	—17.7	2.3	13.5	11.9	...
Investment (GDCF) . . .	6.7	7.3	5.7	—0.4	7.5	21.3	—9.5	...
<i>Nepal</i>								
Private consumption . . . }	1.7	2.0	3.2	—1.6	7.6	7.3	6.8 ^b	...
Government consumption . . }								
Investment (GDCF) . . .	8.8	3.6	—3.2	10.9	—10.6	0.0	—1.3 ^b	...
<i>Pakistan</i>								
Private consumption . . .	4.4	9.3	3.9	12.2	5.8	2.9	0.1	...
Government consumption . .	7.3	6.7	3.9	7.1	—14.0	9.6	3.9	...
Investment (GDCF) . . .	22.4	—1.5	—6.0	—28.3	5.2	29.8	19.0	...
<i>Sri Lanka</i>								
Private consumption . . . }	1.7	3.9	1.7	4.0	3.8	—4.2	5.9	...
Government consumption . . }								
Investment (GDCF) . . .	1.6	13.7	—1.6	7.2	—5.4	15.8	0.5	...
<i>Southeast Asia</i>								
<i>Indonesia</i>								
Private consumption . . .	2.5	5.5	8.8	12.0	13.8	4.1	6.2	4.6
Government consumption . .	—8.5	12.4	12.8	22.6	10.5	30.4	7.2	15.9
Investment (GDCF) . . .	3.4	8.9	21.4	17.1	19.2	14.6	6.0	5.1
<i>Malaysia</i>								
Private consumption . . .	5.0	3.6	4.9	9.7	9.0	—0.9	6.1	8.3
Government consumption . .	9.6	5.0	8.8	4.6	14.9	6.8	8.5	16.6
Investment (GDCF) . . .	9.5	8.9	7.9	8.6	32.2	21.9	10.4	11.9
<i>Philippines</i>								
Private consumption . . .	2.3	6.4	4.3	5.9	6.4	2.6	3.6	3.2
Government consumption . .	4.9	6.0	10.7	10.9	14.1	5.6	7.6	7.0
Investment (GDCF) . . .	10.0	5.4	11.9	8.4	24.8	21.3	6.6	1.4

Table 2. (continued)

	1960- 1965	1965- 1970	1970- 1975	1973	1974	1975	1976	1977
	(— compound rates —)							
Singapore								
Private consumption . . .	2.1	10.4	7.4	3.2	9.8	2.1	8.7	7.4
Government consumption . .	11.7	16.7	7.5	5.5	0.1	2.7	5.0	9.2
Investment (GDCF) . . .	22.7	25.2	8.6	7.4	20.4	12.4	5.0	—3.9
Thailand								
Private consumption . . .	5.8	8.3	6.5	8.4	5.2	5.7	7.8	6.0
Government consumption . .	7.8	11.0	6.5	9.9	0.8	10.5	17.1	8.1
Investment (GDCF) . . .	14.5	13.6	6.3	28.3	6.8	11.3	—0.9	9.8
East Asia								
Hong Kong								
Private consumption . . .	9.1	8.3	6.9	15.1	0.8	3.6	12.6	15.6
Government consumption . .	7.4	8.5	7.3	13.9	10.4	4.8	8.2	13.3
Investment (GDCF) . . .	20.5	0.9	8.1	17.0	1.1	—0.8	20.4	18.0
Republic of Korea								
Private consumption . . .	5.0	8.9	7.3	5.9	6.2	6.3	5.8	6.7
Government consumption . .	2.0	9.2	7.8	3.4	15.0	5.8	15.7	11.3
Investment (GDCF) . . .	15.4	29.0	9.3	37.7	18.6	1.0	16.9	24.2
Pacific								
Fiji								
Private consumption . . .	5.0	5.1	9.3	19.2	9.1	2.0	2.1	...
Government consumption . .	4.6	8.1	7.2	0.7	5.0	10.1	16.8	...
Investment (GDCF) . . .	5.3	7.9	4.1	7.6	—10.3	0.0	7.6	...
Papua New Guinea								
Investment (GDCF) . . .	7.5	6.7	0.2	—5.0	—4.6	5.1	—3.1	...
Private consumption . . .	7.5	4.9	0.6	—3.6	—0.6	2.6	—3.1	...
Government consumption . .	18.4	24.2	—14.6	—47.6	—33.5	22.2	—9.6	...

Sources: International Bank for Reconstruction and Development, Economic Data Sheet-1 (1978) and national sources.

Notes: ^a GDCF=gross domestic capital formation.

^b Preliminary estimate.

79. Not surprisingly, the DR growth performance in the two major oil-exporting countries of the region during the post-crisis years contrasted with that of the other developing countries. Iran enjoyed very substantial real growth in 1973-1975, which permitted buoyant consumption and investment. Some import restraint was reflected in slower growth in DR flows in 1976. In Indonesia, rapid DR growth was accompanied by a shift in DR utilization from private consumption, which recorded a gradual reduction in growth rates from 1973 on, to investment and government consumption, while the data show erratic behaviour in the latter. In both, however, the later years of the period under consideration saw reductions in the rates of growth of private consumption and gross investment; in Iran the expansion of investment dropped sharply, as problems of absorptive capacity became increasingly evident.

3. Saving and investment

80. The critical role played by saving and investment in the development process, the volatile behaviour of these variables in most of the developing countries of the ESCAP region, and the emphasis accorded to their rapid growth in the International Development Strategy for the Second United Nations Development Decade suggest that a more detailed examination of their recent performance is warranted here.

(a) Saving and investment ratios

81. A clear positive relationship exists between *per capita* income and both saving and investment ratios. Grouped by income level (see table 6, below), the developing ESCAP countries and areas with *per capita* GNP in excess of \$US 1,000 in 1976 had a median saving ratio of 27 per cent and

a median investment ratio of 28 per cent in that that year. The corresponding ratios (median values) for countries in the *per capita* GNP range \$US 300-1,000 were 23 and 25 per cent, while for the low-income countries (*per capita* GNP below \$US 300 in 1976), the median saving ratio was 11 per cent and that for investment 15 per cent. Though they refer to a single year these median values and the arrays from which they are drawn are not atypical for recent years. Presented by sub-regional groups, the levels and changes in saving and investment ratios reflect a similar though less pronounced relationship to GNP growth rates (table 3). Annual data, shown in table 4, for the period 1971-1977, display considerable variation from year to year and suggest the weakness of generalization for periods of several years. However, an interest in saving and investment performance requires an assessment of changes in the levels

of the appropriate ratios over time and the comparison of these changes with those of other variables, such as the rate of growth in gross product. The data shown in table 3 by sub-regional groupings permit such comparisons between the 1960s and 1970-1976. Because of the concentration of low-income countries in the south Asian sub-region, an implicit comparison with income levels is also possible. Apart from Iran and the two Pacific island economies, each of which reflects unique elements that reduce comparability, the other economies may conveniently be treated in two sub-groups: south Asia and southeast and east Asia. Growth rates in GNP differ broadly between them for both periods, with significantly higher rates in the east and southeast Asian group. Between the two periods, GNP growth rates more commonly declined in the south Asian group of countries and more generally rose in the other group.

Table 3. Developing ESCAP economies:
patterns of aggregate saving and investment in gross product, 1960s and 1970-1976

Country	GNP growth rate		Savings ratio				Investment ratio			
	1960s	1970-76	1960s Level/change	1970-1976 Level/change	1960s Level/change	1970-1976 Level/change				
<i>West</i>										
Iran	10.3	11.1	III	0.1	II/I	4.9	III	0.2	II/I	2.0
<i>South</i>										
Afghanistan	1.9	3.9	IV	—0.5	IV/III	2.1	III/IV	—0.8	IV/III	1.4
Bangladesh	4.0	1.3	IV	(+)	IV	—1.4	IV/III	0.4	III/IV	—0.9
Burma	3.0	3.5	III	(—)	III/IV	—0.4	III	0.2	III	—0.7
India	4.1	2.8	III	0.3	III	0.4	III	0.1	III/II	0.3
Nepal	2.6	2.6	IV	0.4	IV	—1.1	IV/III	0.4	III/IV	—0.5
Pakistan	7.3	3.6	IV/III	0.4	IV	0.1	III/II	0.4	III	0.3
Sri Lanka	4.8	2.6	III	0.6	III	—0.5	III	0.5	III	—0.6
<i>Southeast</i>										
Indonesia	4.2	7.5	III/II	0.7	III	(...)	III/II	1.0	II	(...)
Malaysia	6.6	7.3	II	—0.1	II	1.3	III	0.6	III/II	0.5
Philippines	5.2	6.6	III	0.4	III/II	0.7	III/II	0.5	II/I	1.6
Singapore	9.2	8.6	IV/III	1.2	III/II	1.4	III/I	2.8	I	—0.2
Thailand	7.9	6.9	III/II	0.7	II	0.1	III/II	1.0	II	(...)
<i>East</i>										
Hong Kong	10.2	7.5	IV/II	2.0	II	0.6	III	(+)	II	0.4
Republic of Korea	8.6	10.7	IV/III	1.5	III/II	1.0	III/II	1.6	II	—0.3
<i>Pacific</i>										
Fiji	5.1	5.8	III	0.1	III	—0.5	III/II	0.2	II/III	—0.7
Papua New Guinea	6.8	4.0	IV	0.1	IV/III	1.3	III/I	2.1	I/III	—2.6

Sources: International Bank for Reconstruction and Development, Economic Data Sheets 1 (1978) and national sources.

Notes: Ratio levels (of GNP or GDP):

I over 30 per cent.

II 20 to 30 per cent.

III 10 to 20 per cent.

IV less than 10 per cent.

Ratio changes: Average annual percentage-point changes for period indicated. Changes of less than 0.1 percentage points per annum: (+), (-) and (...).

82. Changes in the levels of saving and investment, expressed in percentage points per year, as well as the levels of the ratios, broadly correspond to the comparative rates of income growth. Except for Afghanistan and India in the south Asian group, savings ratios were lower in 1970-1976 than in the 1960s and declined during the more recent period. Without exception in the east and southeast Asian group, savings ratios were higher in the 1970s than in the 1960s. Moreover, except for Indonesia and Thailand, these ratios increased during the 1970-1976 period more rapidly than the 0.5 percentage point per year targeted for the International Development Strategy. Reference to table 4 will indicate the range of variation during the 1970s; between the two periods the median value of the savings ratio for this group rose from about 14 per cent (of GNP) to about 22 per cent, and in no case did it decline. The extreme case of Iran shows by far the largest increase in savings ratio for reasons which must be quite apparent.

83. Though the causal relationship between investment and income growth contrasts with that of saving, aggregated statistical evidence reflects patterns similar to those found in changes in the savings ratio. There is little evidence of improved investment performance between the 1960s and 1970-1976 among the south Asian group of economies, except for India and Afghanistan; for the others there is a distinct worsening, in terms of the ratio of investment to gross product. In most cases the variations in GNP growth correspond plausibly well to the differences in investment rates between periods. The patterns of change in the incomes and investment rates of east and southeast Asian economies are perhaps even more complicated. Growth rates in gross product were lower, on average in 1970-1976 than in the 1960s only for Hong Kong, Singapore and Thailand in this group. Investment ratios, however, were as high or higher (and in Singapore, much higher) in the latter period. During the 1970s the turbulence of the international economic scene unquestionably had an impact on domestic saving and investment patterns; the recorded declines in investment ratios for the Republic of Korea and Singapore appear to reflect these influences. On average, however, and in spite of the impact of international instability during the 1970s, saving and investment performance among the economies of east and southeast Asia appears to have been an improvement over that of the 1960s.

84. It is instructive nevertheless to review the 1970s performance in somewhat greater detail in order to gauge the importance of international business fluctuations in the developing economies of the region (see table 4). Not unexpectedly, the

economies of southeast and east Asia, with their generally greater dependence upon external trade (see table 6 below for export-to-GDP ratios) were most obviously affected by the commodities boom and its subsequent collapse. This is reflected with unmistakable clarity in the variation in rates of GNP growth, with some qualification for Indonesia. A cursory glance at the data in table 4 reveals a clear-cut retardation in real growth in 1974 and/or 1975, followed in most cases by an equally clear-cut recovery in 1976 and a less notable retardation in 1977. Singapore presents a minor exception in that relatively low rates of GNP growth appear in three consecutive years. In Indonesia, GNP growth slackened in 1975 in part due to reduced oil exports and in part due to a fall in the demand for and prices of its major primary products exports. Iran's GNP growth also slackened in 1975 as oil exports declined. A somewhat similar pattern appears in the GNP growth series for both Fiji and Papua New Guinea, chiefly because of declining demand for the dominant export from each, sugar and copper concentrates, respectively. Except for Sri Lanka, an economy heavily dependent upon three major primary products exports, no comparable pattern is generally apparent among the economies of South Asia, though the fortunes of jute exports from Bangladesh presumably contributed to the sharp deceleration in GNP growth in 1975. Rather, GNP growth in these economies typically responded to the variations in harvests, with poor years at the beginning of the decade and in several cases in 1974.

85. Savings ratios, reflecting the volatility mainly of private savings and their dependence on variations in the growth rate in gross product, also appear to have responded to the boom in exports in Indonesia, Malaysia, the Philippines and Thailand among the primary products exporters and in Hong Kong and the Republic of Korea, as manufactures exporters. Slackening saving rates appear to coincide with the collapse of the boom in 1975 in Hong Kong, Indonesia, Malaysia and the Republic of Korea but not noticeably in the others. For the period 1970-1976, as reflected in the average annual percentage point changes in table 3, saving ratios for these countries typically increased. This pattern contrasts with that of the south Asian economies generally. For this group the annual data for the 1970s show clearly improved savings performance only for Afghanistan and India. Among the others (except for Pakistan, for which no clear pattern emerges) the dominant pattern is one of declining ratios of savings to gross national product over the period 1970-1976.

Table 4. Developing ESCAP economies:
GNP growth rates and saving and investment ratios, 1971-1977
(percentage per annum and percentage)

		1971	1972	1973	1974	1975	1976	1977
<i>West Asia</i>								
Iran	GNP growth	11.9	16.1	15.1	10.3	2.1	11.1	-2.2
	GNS/GNP	21.9	24.7	34.2	43.8	39.7	44.5	39.5
	GDCF/GDP	21.4	22.7	19.5	17.9	29.9	32.1	34.0
<i>South Asia</i>								
Afghanistan	GNP growth	-4.8	-2.1	11.6	8.8	4.7	6.0	...
	GNS/GNP	1.0	20.9	5.7	7.6	10.1	15.4	...
	GDCF/GDP	5.6	6.5	7.2	8.7	9.8	13.9	...
Bangladesh	GNP growth	-5.9	-14.3	5.1	11.0	2.5	9.5	...
	GNS/GNP	4.1	-3.5	3.5	-2.9	-1.9	-0.5	...
	GDCF/GDP	8.2	4.7	8.7	4.9	6.0	6.1	...
Burma	GNP growth	4.0	2.3	-0.9	5.1	4.6	6.1	...
	GNS/GNP	9.1	9.6	10.5	8.2	8.2	8.3	...
	GDCF/GDP	11.8	12.2	10.8	9.0	10.5	10.2	...
India	GNP growth	2.1	-0.3	3.9	0.5	9.0	1.5	...
	GNS/GNP	16.6	17.9	16.4	18.1	20.4	19.3	...
	GDCF/GDP	18.8	18.8	17.4	20.0	22.0	19.7	...
Nepal	GNP growth	-1.3	3.2	-0.4	6.5	3.1	4.5	...
	GNS/GNP	7.4	6.6	7.8	6.8	3.0	0.9	...
	GDCF/GDP	10.4	9.7	10.8	9.1	8.8	8.3	...
Pakistan	GDP growth	1.0	1.0	8.6	1.3	7.0	2.8	...
	GNS/GNP	8.6	9.4	10.6	6.9	4.8	9.8	...
	GDCF/GDP	15.7	14.2	13.0	13.4	15.6	17.4	...
Sri Lanka	GDP growth	-1.1	3.6	6.2	0.5	3.6	2.8	...
	GNS/GNP	15.3	13.3	14.2	9.4	10.8	13.8	...
	GDCF/GDP	17.5	15.4	15.5	14.6	16.4	16.0	...
<i>Southeast Asia</i>								
Indonesia	GNP growth	8.0	7.9	10.4	6.0	5.4	7.1	7.6
	GNS/GNP	12.0	13.4	15.4	20.6	17.3	19.8	19.0
	GDCF/GDP	15.8	18.8	17.9	16.8	20.3	20.7	18.9
Malaysia	GNP growth	7.0	6.1	10.5	7.7	2.2	10.5	7.6
	GNS/GNP	17.6	18.0	25.6	25.5	21.3	30.0	28.5
	GDCF/GDP	18.6	21.5	22.0	28.5	23.4	21.8	23.0
Philippines	GNP growth	5.8	4.9	9.6	6.3	5.9	6.9	6.3
	GNS/GNP	19.2	19.0	24.9	24.0	24.1	23.7	25.1
	GDCF/GDP	20.8	20.6	21.5	26.9	31.2	30.9	30.0
Singapore	GNP growth	11.2	12.5	9.6	6.5	6.6	6.3	8.8
	GNS/GNP	18.3	23.0	26.5	24.7	28.0	27.2	27.2
	GDCF/GDP	40.2	41.1	39.2	44.6	37.6	37.7	33.3
Thailand	GNP growth	7.3	4.0	9.4	5.7	7.2	7.7	5.8
	GNS/GNP	21.0	19.1	22.1	22.3	22.3	22.0	20.4
	GDCF/GDP	24.1	20.5	23.9	24.4	27.1	24.8	26.1
<i>East Asia</i>								
Hong Kong	GNP growth	2.8	6.7	14.3	2.2	2.9	16.2	12.3
	GNS/GNP	20.3	23.7	21.3	19.7	18.3	25.1	21.3
	GDCF/GDP	22.7	22.1	22.0	22.8	21.3	21.7	23.5
Republic of Korea	GNP growth	9.2	7.0	16.0	8.7	8.3	15.3	10.5
	GNS/GNP	14.3	15.3	22.2	17.7	16.0	23.4	27.3
	GDCF/GDP	25.5	20.8	26.1	30.8	26.8	25.7	27.7
<i>Pacific</i>								
Fiji	GNP growth	6.9	8.5	14.1	3.6	-0.1	2.6	...
	GNS/GNP	12.9	11.5	7.5	13.3	15.1	12.2	...
	GDCF/GDP	24.8	24.0	22.2	18.9	16.7	18.1	...
Papua New Guinea	GNP growth	7.6	1.2	9.5	8.8	-5.3	2.8	...
	GNS/GNP	4.1	-1.9	12.5	26.8	9.4	10.0	...
	GDCF/GDP	46.9	38.8	18.9	12.9	20.6	19.7	...

Sources: International Bank for Reconstruction and Development, Economic Data Sheets 1 (1978), and national sources.

Notes: GNP growth: annual percentage change in GNP at constant market prices.

GNS/GNP: gross national savings upon gross national product at current market prices (percentage).

GDCF/GDP: gross domestic capital formation upon gross domestic product at current market prices (percentage).

86. Investment performance, as noted earlier in the discussion of the utilization of domestic resource flows, is imperfectly gauged from time series data. In several cases among the economies of southeast and east Asia, nevertheless, it is apparent that investment responded positively to the boom conditions of 1973 and 1974 and, most clearly in Malaysia and the Republic of Korea, appears to have followed the slackening of activity after 1975. It would be misleading to attribute too great importance to the temporal pattern of change in investment ratios, for several reasons. Though the rate of investment undoubtedly responds to changes in business conditions, it often does so with a considerable lag; moreover, government policy aimed at offsetting declines in business activity not only seeks to influence private investment, both domestic and foreign, but also contributes to aggregate investment outlays, often for explicitly counter-cyclical purposes. Among the east and southeast Asian economies during the last two or three years (to 1977) there are several instances of an apparent slackening of total investment reflected in moderately declining investment ratios. Though the reasons vary considerably from country to country, they have in common an international milieu dominated by the sluggishness of the recovery of the industrially developed market economies, their continued high levels of unemployment and their recurrent bouts of inflation. The end of the oil exploration boom and the continued rise in oil prices, growing protectionism in the developed market economies and the uncertainty generated by exchange rate volatility all contributed to a climate of uncertainty inimical to sustained high rates of investment. In the event, it is probably fair to say that the developing economies of east and southeast Asia have weathered this period of uncertainty reasonably well.

87. Generally less sensitive to changes in international markets and less influenced by the investment climate and the uncertainty of the international market economy, the economies of south Asia have apparently been unable to generate markedly increased rates of investment during the current decade; the Indian economy is a notable exception and the cases of Pakistan and Sri Lanka may constitute qualified exceptions as well. Major changes in government policies bearing on investment activity have recently occurred in both of the latter as well as in Bangladesh, and their consequences have yet to mature. There is little doubt, despite the attenuated influence of the international investment climate, that a significant improvement in the international outlook would also redound to the benefit of the south Asian economies particularly in respect of trade, concessional financial resources and private foreign investment.

(b) Composition of investment by type of capital goods

88. Of the two major investment categories, construction and machinery and transport equipment, the former appears to have been predominant during both the 1960s and the 1970s in the limited number of economies for which comparable data are available. For this group at least, it also appears that investment in construction had become considerably less predominant in the later period. As summarized in table 5, the share of fixed capital formation (excluding inventory accumulation) in machinery and transport equipment rose between the early 1960s and the mid-1970s in 9 of the 10 developing economies shown in the table. In several cases — the Philippines, Singapore, Thailand and, slightly less for Iran — the share increased by more than 10 percentage points, reflecting a substantial shift in investment-resource allocation in view of the large over-all increase in the volume of investment.

89. Comparison of these data with the patterns of change in total investment shown in table 3 reveals an association between the more rapid rates of investment expansion and the greater increases in the share of investment in machinery and transport equipment. Among the economies showing large proportionate increase in these types of investment, Iran, the Philippines and Thailand allocated the larger incremental share to machinery investment whilst in the Republic of Korea and Singapore the larger increments appeared in investment in transport equipment. Though there is a presumption in favour of an association between rapid increases in machinery investment in manufacturing and other predominantly machine-using industries, data of the sort considered here cannot demonstrate such a relationship. Data which reveal the pattern of allocation of fixed capital formation by production sector are available for only five of the developing economies of the region for the two periods under consideration. These data show appreciable increases in the share of total fixed investment in manufacturing for India (21 to 30 per cent) and Iran (manufacturing and mining, excluding petroleum: 13 to 17 per cent); a relatively small increase in the manufacturing share in the Republic of Korea (21 to 22 per cent); and declines in the manufacturing portion in Fiji and in Pakistan.

(c) Conclusion

90. The development strategies of most countries have stressed the need for expanded investment in order to expand production capacity to enhance economic growth. Domestic saving has been emphasized in order to facilitate investment and to

lessen dependence on foreign resource inflows. It has been noted that since the 1960s some developing countries of the ESCAP region have made considerable progress in this regard (table 3).

91. One of the objectives in the International Development Strategy for the Second United Nations Development Decade was stated to be an annual average increase of 0.5 percentage points in the ratio of gross national saving to gross national product in order to increase this ratio to about 20 per cent by 1980.¹¹ The limited available data for the developing countries of the ESCAP region in the 1970s (until 1976) suggest that the annual increment in the saving ratio generally fell below the target rate and in many instances was negative. However, a distinction must be made between the experience of major sub-groups of economies in the region. While Iran and all but one of the east and southeast Asian sub-group recorded positive annual increments in the savings ratio (median

value: 0.7 percentage points), the corresponding increment was probably negative for the south Asian group. Similarly, a comparison of average savings ratios for the 1960s and the 1970-1976 period indicates a general improvement among the east and southeast Asian economies and a median value which increased from about 14 per cent to perhaps 22 per cent. The corresponding change for the south Asian group, though positive, was very small. Average savings ratios at mid-decade (1974-1976) were close to or above the 20 per cent target for the economies of east and southeast Asia and for Iran. Among those in south Asia only India came close to this rate nor did either of the two Pacific island economies do so. It is unlikely that these patterns will have changed greatly by the end of the decade.

¹¹ *International Development Strategy: Action Programme of the General Assembly for the Second United Nations Development Decade* (United Nations publication, Sales No. E.71.II.A.2), p. 4.

Table 5. Developing ESCAP economies:
fixed capital formation^a by type of capital goods, 1960s and 1970s (selected years)
(percentages)

Country or territory	Years	Land	Construction				Machinery & transport equipment			Total
			Total	Residential	Non-residential	Other	Total	Transport equipment	Machinery	
Fiji	1967-1969	... ^b	57.9	46.1	—	11.8	42.1	13.7	28.4	100.0
	1970-1971	... ^b	53.7	42.5	—	11.2	45.5	17.1	28.4	100.0
Hong Kong	1966-1968	2.1	49.2	23.2	15.8	10.2	48.7	11.0	37.7	100.0
	1974-1976	2.4	47.5	19.3	13.2	15.0	50.1	9.0	41.1	100.0
India	1963-1965	6.8 ^c	50.0	10.3	12.1	27.2	43.0	9.1	33.9	100.0
	1973-1975	6.7 ^c	54.2	14.9	20.4	18.8	39.1	9.6	29.5	100.0
Iran	1961-1963	...	69.1	...	...	...	30.9	9.9	21.1	100.0
	1974-1976	...	60.2	23.0	—	37.2	39.8	13.1	26.7	100.0
Nepal	1965-1967	...	84.6	...	...	...	15.4	—	15.4	100.0
	1970-1972	...	78.0	...	...	...	22.0	—	22.0	100.0
Philippines	1961-1963	... ^b	45.3	16.7	16.0	12.6	54.8	18.6	36.1	100.0
	1974-1976	... ^b	32.7	8.7	10.6	13.4	67.2	20.8	46.4	100.0
Republic of Korea	1961-1963	...	63.2	11.7	21.1	30.4	36.8	12.3	24.5	100.0
	1974-1976	...	54.6	15.5	17.4	21.7	45.4	20.3	25.1	100.0
Singapore	1961-1963	...	55.3	33.5	11.3	10.5	44.7	11.6	33.1	100.0
	1974-1976	...	44.3	22.5	13.3	8.5	55.7	18.3	37.4	100.0
Sri Lanka	1961-1963	9.4	59.1	—	41.0	—	31.5	7.7	23.8	100.0
	1973-1975	9.9	57.3	—	40.7	—	32.8	11.3	21.5	100.0
Thailand	1961-1963	4.5	54.8	22.7	16.9	15.2	40.7	14.1	26.6	100.0
	1974-1976	6.3	38.8	12.5	18.5	7.8	54.9	17.9	37.0	100.0

Sources: Fiji: *Yearbook of National Accounts Statistics 1977* (United Nations publication, Sales No. E.78.XVII.2, vol. I). Hong Kong: Census and Statistic Department. India: *Statistical Yearbook*, 1972 and 1976 (United Nations publications, Sales No. E/F.73.II.F.8 and E/F.77.II.F.8). Iran: Plan and Budget Organization, *Economic Trends of Iran*, March 1978. Nepal: *Yearbook of National Accounts Statistics*, 1977, *op. cit.* Philippines: *Statistical Yearbook*, 1972 and 1976, *op. cit.* Republic of Korea: Bank of Korea, *Economic Statistical Yearbook*, 1978. Singapore: *Singapore Yearbook of Statistics*, 1971/72 and 1976/77. Sri Lanka: 1961-1963: *Statistical Yearbook*, 1972, *op. cit.*; 1973-1975: *Yearbook of National Accounts Statistics*, 1977, *op. cit.* Thailand: *Statistical Yearbook*, 1972 and 1976, *op. cit.*

Notes: ^a Gross domestic fixed capital formation.

^b Included in other construction.

^c Including breeding stock.

92. Similar patterns in the investment ratio are less easily discernible due to the relatively greater volatility of investment ratios. For the south Asian group of countries investment performance appears to have recorded a decline in the median values between the 1960s and 1970-1976; a similar comparison for the east and southeast Asian group shows an appreciable increase in the average investment ratio between periods even though negligible annual percentage-point increases occurred during the 1970s in several countries. Whilst it would be hazardous to draw sweeping generalizations from these relationships, it is nevertheless quite apparent that marked changes in these patterns are unlikely to appear during the remaining years of the current decade. The implications of the sluggish performance in savings and investment in many of the regions' developing economies, particularly several low-income countries, can scarcely be the source of great optimism.

B. COMMODITY PRODUCTION DEVELOPMENTS

Introduction

93. Over appreciable periods of time, changes in the structure of production derive from persistent differences in the rates of growth in major sectors of the economy. An appreciation of these changes in economic structure provides an appropriate background for a review of the performance of the major commodity production sectors. Structural change is clearly an essential element in the process of development; in its historical form the long-term shift in the patterns of output and employment has involved a decrease in the relative importance of agriculture and an expansion of the share of the broad industrial sector. Such a pattern of change has characterized the development of the industrial economies; there is ample evidence to demonstrate that a similar pattern of change in the structure of production has emerged in most, though not all, of the economies of the developing third world. Whilst it has been possible to compile statistical evidence of this structural change and to generalize the relationships between levels of real income per head and sectoral structure, there remain wide variations in both the rate and the pattern of these changes in structure.¹²

94. Despite the demonstrable generality of this process of change, differences in the conditions under which development takes place make it unlikely that the structural evolution of today's developing economies will necessarily follow structural paths entirely similar to those traced by the now industrialized economies. Among the more important differences which militate against entirely similar forms of structural evolution, several deserve brief mention. As the contextual conditions are in varying degrees interrelated, there need be no implication of priority in the order in which these conditions are stated.

95. Most obviously contextual is the fact of the existence of an international market economy in which the great majority of today's developing economies are in varying degrees enmeshed. Given the dominance of the developed economies in technology, production and international trade, the milieu in which the developing economies ineluctably function broadly determines the range of choices available to them and the parameters which guide their growth. The technology which has evolved in the developed market economies perhaps deserves special emphasis, for it reflects a set of conditions pertinent to these economies which in quite obvious ways differs materially from the prevailing circumstances of market conditions and resource endowments of the developing economies. Related to this consideration are the institutional phenomena which are interwoven with the structure of production and markets. While with few exceptions the developed market economies evolved without a large measure of direct government participation in economic affairs (though the role of government as a guarantor of "free" private enterprise was a *sine qua non* of this form of development), the circumstances under which the economies of the third world are constrained to function have elicited a large and increasing measure of direct government participation. To the extent that such participation is effective, the implication is that the forces of the market are not permitted to function entirely as they would have done in the absence of such "intervention". Finally, the demographic circumstances of today's developing economies, in terms of the density of population and of rates of population growth, diverge widely from those which prevailed in the dawn of modern industrialization in the West.

¹² H. Chenery and M. Syrquin, *Patterns of Development, 1950-1970* (London, Oxford University Press, 1975).

Table 6. ESCAP economies: structural characteristics and their changes, 1960-1976

Country	Popula- tion, GNP per capita, mid-1976 1976 (million) (\$US)	Production structure (percentage)						Sectoral growth ^a				Share of exports in GDP ^b (percentage)		
		Agriculture			Industry			Agriculture		Industry				
		1960	1970	1976	1960	1970	1976	1960s	1970s	1960s	1970s	1960	1970	1975
<i>West Asia</i>														
Iran	33.6	1,930	29	21	9	17 ^c	22 ^c	21 ^c	3.9	4.5	18.7 ^c	19.1	24.5	39.8
<i>South Asia</i>														
Afghanistan	17.0	160	67 ^a	63 ^a	55 ^t	10 ^d	12 ^e	14 ^f	...	...	...	4.5 ^g	10.5	12.8 ^h
Bangladesh	80.8	110	61	59	61	8	10	8	2.7	0.5	7.9	1.8	...	5.2
Burma	30.8	120	33	38	47	12	14	11	4.1	2.5	2.8	15.2	5.7	5.7
India	610.1	150	50	43	47	20	20	23	1.9	1.4	5.5	3.8	4.1 ^g	3.7
Nepal	12.9	120	65 ^d	68	65	15 ^d	11	10	...	1.9	...	...	...	5.7
Pakistan	72.4	170	46	33	32	16	20	24	4.9	1.6	10.1	4.1	5.3 ^g	6.0
Sri Lanka	13.7	200	38	31	37	16	18	21	3.0	1.2	6.7	3.0	27.3	16.1
<i>Southeast Asia</i>														
Indonesia	135.2	240	45	41	29	17	22	34	2.7	4.0	4.7	12.4	7.8 ^g	11.8
Malaysia	12.3	860	40	32	29	18	25	30	6.8	6.4	6.4	9.6	55.5	40.8
Philippines	43.8	410	26	27	29	28	30	34	4.3	4.6	6.0	8.7	8.6	12.7
Singapore	2.3	2,700	4	3	2	19	33	35	5.0	0.3	12.6	9.1	10.4 ^g	33.3
Thailand	43.0	380	40	28	30	19	25	25	5.5	4.3	11.7	8.2	16.3	11.4
<i>East Asia</i>														
Hong Kong	4.4	2,110	4	2	2	34	35	34	-3.4	-5.1	8.2	7.1	49.1 ^g	66.1
Republic of Korea	35.9	670	40	31	27	19	28	34	4.5	4.8	17.2	17.1	1.0	10.2
<i>Pacific</i>														
Fiji	0.6	1,150	...	29	20	...	24	17	4.4 ⁱ	2.4	11.5 ^j	...	25.6 ^g	25.4
Papua New Guinea	2.8	490	50 ^g	42	30	13 ^g	21	...	...	1.3	...	2.8	16.1 ^g	18.7
<i>Developed ESCAP</i>														
Australia ^k	13.9	6,100	14	6	7	41	38	39	2.7	-2.1	6.5	1.0	13.6	13.3
Japan ^k	112.8	4,910	15	6	5	45	46	43	4.0	2.5	10.9	4.8	9.0	10.0
New Zealand	3.1	4,250	...	...	...	...	...	...	...	...	...	...	22.2	20.0

Sources: International Bank for Reconstruction and Development, *World Development Report, 1978*, annex tables 1-3; International Bank for Reconstruction and Development, Economic Data Sheets-1 (1978); International Monetary Fund, *International Financial Statistics*, May and June 1978; United Nations, *Monthly Bulletin of Statistics*, February 1979, and national sources.

Notes: ^a Value added at constant prices, 1960-1970 and 1970-1976; annual average percentage rates.

^b Three-year averages centred on year indicated.

^c Excludes oil sector.

^d 1962.

^e 1969.

^f 1975.

^g 1961.

^h 1974.

ⁱ Domestic exports, all years.

^j 1961-1970.

^k Production structure from United Nations, *Monthly Bulletin of Statistics*, various issues, table 65 (early years; table 64).

96. Some of the main elements of the structure of production and trade are displayed for a selection of developing economies in the ESCAP region in table 6, together with population and *per capita* income data to provide a comparative reference, and a panel showing sectoral growth rates during the 1960 and the 1970s. That there is wide variation in the structural characteristics among these developing ESCAP economies is quite as apparent as is the range of variation in population size and, crude though the measure inescapably is, in levels of *per capita* income. Though the differences in structural characteristics do not provide an independent explanation of differences in sectoral growth performance, the discernible associations among these indicators provide at least an initial set of classificatory criteria. The rudimentary geographical classification is intended to facilitate comparison and to highlight structural similarities:

97. It is apparent from the information found in the table that a not inconsiderable measure of structural change has taken place in developing ESCAP economies over the past decade and a half. In part because of the generally greater proportion of value added in agriculture in the economies of south Asia, the proportionate decline in the share of agriculture has been relatively smaller than the corresponding share in the economies of southeast and east Asia. During the 1970s, due in considerable part to intersectoral differences in price movements, several economies fail to show a continued decline in the share of agriculture in gross domestic product. Among the southeast and east Asian group as well, though less commonly, there appears to have been a slackening in this element of structural change.

98. With exceptions only in the atypical, urban economies of Singapore and Hong Kong (and by a small margin, the Philippines), during the 1960s the broad industrial sector accounted for a smaller portion of gross domestic product than did agriculture.¹³ Apart from Indonesia and the two urban economies, the growth of the value-added share of the industrial sector in the southeast and east Asian economies has been relatively greater than that of the south Asian economies. Even allowing for the limited period covered by the data since 1970, it is apparent that the relative expansion of the industrial sector has been less consistent among the economies of south Asia taken as a group. Again with the qualification that the time span makes an assessment of structural change during the 1970s quite premature, it is nevertheless important to note that the prospects for continued growth of the international economy and hence for many economies in this region during the rest of

the decade are scarcely propitious for the continued expansion of the industrial sector. Reference to the export shares shown in table 6 and recognition of the growing importance of manufactures exports for virtually all the developing economies of southeast and east Asia and for several in south Asia as well, it may well be that the expansion of the industrial sector, manufacturing in particular, will have slackened appreciably by the end of the present decade.

99. Though it is still too early to permit a thorough *post mortem* on the growth performance for the 1970s, it is at least possible to gain some perspective in the aftermath of the boom and recession in the first half of the decade. Observation of the behaviour of the commodity production sectors of the economies of south Asia on the one hand, and of those of southeast and east Asia on the other, reveals quite marked differences between the two groups.¹⁴ As the discussion in the sections on agriculture and industry will show in greater detail, on the whole the economies of south Asia benefitted less (though for rather different reasons among them) from the commodities export boom of 1972-1974 than did the more heavily export-oriented economies of southeast and east Asia; they also suffered less from the subsequent recession, generally in late 1974 and 1975. Because of their common dependence upon imports of foodgrains, fertilizers and fuels, however, and their inability to gain consistently from higher export prices prior to 1975, problems of external balance were particularly onerous. In the wake of the crises and in consequence of external assistance, increased effectiveness of domestic policies and greatly improved harvests in 1975/76, the majority of the south Asian economies initially recovered rather well in 1975 or 1976. Growth has continued in most of these economies in the succeeding two years but at rates which have generally declined. In large part this slackening of momentum derives from poorer performance in the dominant agricultural sector.

¹³ Iran is a case apart, as the overwhelming predominance of the oil sector after 1970 inserts an element of incomparability into the sectoral pattern. It will be noted that the oil sector has been omitted from the data for Iran; while this sector accounted for about 17 per cent of GDP in 1967-1969, its share had risen to more than two fifths of the total by 1974-1976.

For Indonesia, data are not available to permit identification of the contribution of the oil sector to GDP. Judging from the rate of growth of the quantum of crude production in comparison to the growth of constant-price value added in the industrial sector, a major part, if not the major part, of the expansion of the share of the industrial sector must be attributable to petroleum extraction and refining.

¹⁴ That there is considerable variation within each group does not vitiate the generalization, though it does make some qualification necessary.

100. With few exceptions, real growth in GDP continued, though at reduced rates, in the economies of southeast and east Asia during 1975. Recovery in the following year was not long delayed and occurred at rapid rates for several of these economies; aggregate growth performance slackened quite markedly in 1977 and 1978 does not generally promise much, if any, improvement. Although the demand for primary-products exports recovered smartly in 1976, and increased rates of real growth in agriculture followed in most of these economies,¹⁵ expansion in commodity production proceeded most rapidly in secondary industry. The more rapid recovery in manufacturing, though the pace had slackened in 1977 in virtually all the southeast and east Asian countries, and the sustaining contribution to the growth of gross product, reflect the increasing importance of the industrial sector in the economy.

1. Agriculture

(a) Overview

101. The over-all performance of agriculture in the developing ESCAP region during the 1970s stands generally unfavourable in comparison with the latter part of the previous decade. The growth of food production over the period 1970-1977 has slowed to 2.9 per cent for the region as a whole (see table 7) and has fallen below the rates of population growth in some south Asian countries (Bangladesh, Burma and Nepal).¹⁶ The instance of Bangladesh gives the greatest cause for concern in view of that country's degree of continuing dependence on imported foodgrains. Higher growth-rates were recorded for non-food and livestock production but they are heavily weighted by the performance of China; for more than half of the countries in table 7 the rate of expansion slowed compared with the period 1966-1970 in each of these agricultural sub-sectors.

102. One of the chief characteristics of this performance, concealed by figures of average growth, has been the very erratic progress of agriculture. In particular, the aim to provide greater security in food production from year to year has proved highly elusive. Changing meteorological and ecological conditions have affected the output of food which in the region as a whole recorded a decline in 1972 and only very modest growth in 1974 and 1976. The pattern of production in the most recent biennium (1977-1978) has been typical of the apparently short cycle of fortunes in food-

grain output for the developing region. Total cereals production showed moderate growth in 1977 but the impressive increase in rice output was contrasted with declining levels for wheat, maize and barley. Drought affected foodgrain output in most parts of southeast and east Asia in the 1977/78 crop season and in Indonesia, rice output was additionally reduced by the *wereng* pest; but, with the exception of Nepal, production advanced strongly in the south Asian countries and the Philippines. In 1978, heavy flooding posed a potentially serious threat to cereals production in India, and again in southeast Asia, but although there was hardship in the worst affected areas, national production levels were not seriously compromised since weather conditions during the remainder of the year proved to be highly favourable. Estimates by the Food and Agriculture Organization of the United Nations (FAO) of out-turns for rice and wheat in the major producing countries of the region during the biennium show a variegated pattern of quickly changing fortunes, with none of the countries listed in table 8 able to sustain buoyant growth in the major cereals in both years.

103. Levels of non-food production have also progressed unevenly in individual countries, but the pronounced annual fluctuations reflect in some cases the important comparative weight of rather few crops, and the influence on production of changing conditions both of supply and demand (especially export demand). However, the production of some crops, such as palm oil, sugarcane and natural rubber has made substantial and steady advances during the current decade.

(b) Supply of foodgrains

104. In spite of large gains in individual years, the average annual growth-rate of foodgrains in the developing ESCAP region during the period 1970-1977 was almost identical to the rate of population increase, implying no improvement in levels of foodgrains out *per capita* (see table 9). In several individual countries the rate of increase in the production of some of the major cereal crops was rather faster than the rate of population increase, but it is also evident from table 8 that the individual and collective performances of growth in cereals output during the 1970s were below the rates of expansion recorded in the second half of the 1960s.

105. In part the apparent deceleration is dependent on the choice of time period, since conditions during the first years of the current decade were particularly adverse. But even after 1972 foodgrain production performance was highly erratic. Another explanation for the slowdown that is quite

¹⁵ Except for Thailand, where growth in agricultural production slackened in 1976 and fell due to widespread drought in 1977.

¹⁶ Cf. table on population growth in chapter III, section A.

Table 7. Selected developing ESCAP countries: key agricultural growth rates, 1970-1977

		(a) food		(b) non-food		(c) livestock production				
Country		Average annual percentage change		1971	1972	1973	1974	1975	1976	1977
		1966-1970	1970-1977							
West Asia										
Iran	(a)	4.1	3.8	-1.0	12.0	3.6	5.2	4.1	5.5	-3.0
	(b)	5.8	3.2	-5.0	27.4	-0.8	6.7	-28.1	13.0	9.6
	(c)	5.9	3.4	4.0	4.8	3.7	5.3	4.2	3.2	-1.6
South Asia										
Afghanistan	(a)	0.2	3.0	-7.1	13.2	7.8	2.7	1.8	5.2	-2.5
	(b)	4.6	3.7	-18.4	-1.2	25.3	17.3	12.3	1.4	-10.8
	(c)	0.5	1.8	-12.0	0.0	9.1	4.2	2.0	6.9	2.8
Bangladesh	(a)	4.0	1.8	-8.9	-1.1	12.1	-4.9	12.4	-6.4	9.8
	(b)	2.5	2.6	-38.4	50.7	-3.8	-29.0	5.6	18.7	14.6
	(c)	3.3	-0.1	-2.9	-3.0	-2.1	1.1	2.1	1.0	3.1
Burma	(a)	5.0	1.4	0.0	-4.9	6.2	2.9	0.0	4.7	0.9
	(b)	10.8	3.8	4.0	26.7	11.3	-14.9	0.0	-2.4	1.6
	(c)	4.8	2.0	2.0	0.0	2.9	0.9	1.9	4.6	1.8
India	(a)	6.4	2.6	0.0	-4.9	10.3	-6.5	14.0	-2.6	8.1
	(b)	1.8	3.1	19.4	-3.6	3.7	4.5	-6.9	-2.8	7.6
	(c)	3.2	2.0	4.0	2.9	3.7	0.9	0.9	1.8	0.0
Nepal	(a)	3.2	0.5	-2.0	-3.0	10.3	0.9	2.8	-0.9	-4.5
	(b)	3.3	0.4	-1.0	3.0	2.9	-29.0	6.6	4.9	15.3
	(c)	2.6	2.0	2.0	2.0	2.9	1.9	1.8	1.8	1.8
Pakistan	(a)	7.1	3.3	-1.0	3.0	5.8	2.7	1.8	6.1	4.9
	(b)	3.4	0.5	25.0	-2.6	-8.0	-1.9	-14.8	-16.3	22.2
	(c)	2.9	3.4	4.0	2.9	4.7	2.7	3.5	2.5	3.3
Sri Lanka	(a)	6.6	4.5	-1.0	0.0	-2.0	15.0	4.3	5.0	10.3
	(b)	0.3	-1.3	0.0	-2.0	-9.3	-1.1	3.4	-3.3	3.4
	(c)	2.1	2.7	5.0	8.6	-8.0	-3.8	10.0	5.4	1.7
Southeast Asia										
Indonesia	(a)	5.1	3.4	5.0	1.9	9.3	2.6	0.0	-0.8	5.9
	(b)	2.9	1.4	-3.0	-1.0	6.3	-1.0	26.0	0.8	-18.1
	(c)	2.0	5.2	13.4	13.6	2.4	2.3	1.5	1.5	1.5
Malaysia	(a)	6.8	4.7	6.0	5.3	5.2	6.9	2.1	3.4	4.3
	(b)	6.0	4.4	0.2	-1.0	26.6	-3.6	-4.9	13.8	-0.3
	(c)	5.3	3.9	5.0	6.8	4.5	2.8	-1.0	5.0	3.1
Philippines	(a)	4.3	4.9	1.0	-1.0	12.9	4.4	7.6	11.7	-2.1
	(b)	0.7	5.2	-3.8	4.0	4.8	3.6	7.9	20.3	0.0
	(c)	0.2	4.5	4.1	7.8	10.0	5.0	2.4	1.5	0.8
Thailand	(a)	2.1	5.2	5.0	-1.0	19.4	-1.6	5.8	5.5	3.0
	(b)	-0.9	0.9	-6.9	2.1	4.2	2.0	-2.9	5.0	2.9
	(c)	4.8	1.6	4.0	-4.8	2.0	5.9	-1.9	1.9	3.7
East Asia										
China	(a)	3.1	2.9	4.0	0.0	4.8	3.6	3.5	2.5	1.6
	(b)	3.1	4.0	7.0	5.6	15.0	0.8	-2.3	0.8	0.8
	(c)	2.0	4.0	4.0	4.8	4.6	3.5	3.4	4.9	3.1
Republic of Korea	(a)	2.8	4.6	2.0	1.0	2.0	6.7	9.0	5.0	6.3
	(b)	3.4	11.5	10.4	47.2	2.6	-2.5	3.8	8.6	10.2
	(c)	15.0	9.6	8.1	8.4	3.4	11.7	12.7	8.6	14.6
Developing ESCAP	(a)	4.0	2.9	2.0	-1.0	6.9	0.9	6.4	1.7	3.4
	(b)	2.4	2.6	6.1	2.9	7.5	0.9	-2.6	0.9	2.6
	(c)	2.7	3.5	4.0	3.8	3.7	3.6	2.6	4.2	2.4

Source: Food and Agriculture Organization of the United Nations, computer printouts dated April and December 1978.

commonly advanced is that the major part of the initial potential impact of the technical innovations associated with what has come to be described as the "green revolution", had been expended by the early 1970s. Although valid in some respects, this explanation is an oversimplification; in most countries of the region further potential for increasing foodgrain production still exists in important measure.

106. It is appropriate to examine more closely the factors that have contributed to the performance of rice production during the 1970s. Rice is the mainstay of agricultural production in many of the developing countries of the ESCAP region, and the basis of the staple diet in the region (accounting for about 70 per cent of total foodgrain consumption). Rice production has also tended to expand less rapidly than the other major cereal, wheat, during the current decade. In Nepal and Thailand, both rice exporters, output of rice during the whole period 1970-1977 has grown appreciably less rapidly than the rate of population increase. In these two countries, and Sri Lanka where the growth in rice output had stagnated until mid-decade, it would appear that production growth has been comparatively extensive, with additional land area contributing significantly more than higher yields.¹⁷ Increasingly, however, the scope for such extension is diminishing and expansion of rice production will have to depend more and more on the means of

intensification that have become associated with the "green revolution": wider use of high yielding varieties (HYV) of seed, of fertilizers and of irrigation.

107. The erratic performance of rice production in almost all the producing countries of the region has occurred in spite of the steadily widening adoption of HYV seeds (see table 10). In the region as a whole, the proportion of the total rice area planted to HYVs more than doubled between 1970/71 and 1974/75 (to over one quarter) and is estimated to have reached 31 per cent by 1976/77;¹⁸ in individual countries (notably Bangladesh, Indonesia, Nepal, the Republic of Korea and Sri Lanka) the rise in the rate of penetration was considerably faster than this average. However, the utilization of fertilizer, the expansion of which was so marked during the 1960s, has shown more restrained growth in several countries. The absorption of manufactured fertilizers (all types) per hectare was lower in 1976 than in 1974 in Malaysia, the Republic of Korea, Sri Lanka and Thailand.¹⁹ In part this decline reflected the rises in prices of fertilizers re-

¹⁷ Data are not readily available to determine the extent to which the additional land area reflects the increase in double-cropping.

¹⁸ Food and Agriculture Organization of the United Nations, "The state of food and agriculture 1978" (Director-General's Report to the Council) (Rome, 1978) (mimeo.), p. 18.

¹⁹ See Food and Agriculture Organization of the United Nations, *Annual Fertilizer Review, 1977* (Rome, 1978).

Table 8. Selected developing ESCAP countries:
rice and wheat production, 1976-1978

	Production			Growth rates	
	1976	1977	1978 ^a	1976-77	1977-78
	(thousand metric tons)			(percentages)	
<i>Rice^b</i>					
China ^c	90,338	92,030	94,133	1.9	2.3
India	42,245	52,993	52,595	25.4	—0.8
Indonesia	15,612	15,649	17,245	0.2	10.2
Bangladesh	11,811	13,159	12,462	11.4	—5.3
Thailand	9,945	9,181	10,560	—7.7	15.0
Viet Nam ^c	7,236	7,538	7,705	4.2	2.2
Burma	6,151	6,240	6,600	1.4	5.8
Republic of Korea	5,219	6,005	5,802	15.1	—3.4
Philippines	4,264	4,551	4,617	6.7	1.5
<i>Wheat</i>					
China ^c	43,001	40,003	44,003	—7.0	10.0
India	28,846	29,010	31,328	0.6	8.0
Pakistan	8,691	9,143	8,289	5.2	—9.3
Iran	6,044	5,517	5,700	—8.7	3.3
Afghanistan	2,936	2,652	2,830	—9.7	6.7

Source: Food and Agriculture Organization of the United Nations, computer printout dated April 1979.

Notes: ^a Revised estimates.

^b Milled rice.

^c Unofficial estimates.

Table 9. Selected developing ESCAP countries:
growth rates of production of main cereal crops, 1966-1977

Country	Average annual percentage change		1971	1972	1973	1974	1975	1976	1977
	1966-1970	1970-1977							
<i>West Asia</i>									
<i>Iran</i>									
Rice	3.2	6.7	-0.9	14.7	11.2	-1.6	8.9	9.5	5.4
Wheat	2.8	5.1	-5.0	19.5	1.2	2.2	18.5	3.5	-9.0
Barley	0.6	3.9	-16.8	12.0	-8.5	-6.5	66.6	3.4	-22.7
<i>South Asia</i>									
<i>Afghanistan</i>									
Rice	2.5	3.5	-4.4	14.3	5.0	0.0	3.6	3.0	2.9
Wheat	1.1	4.1	-8.0	27.9	10.2	1.8	3.6	3.0	-9.7
Maize	-1.5	3.0	0.4	7.5	5.6	1.3	1.3	2.6	2.1
<i>Bangladesh</i>									
Rice	4.3	3.0	-10.9	1.6	18.0	-5.2	13.1	-7.9	12.3
<i>Burma</i>									
Rice	5.5	2.4	0.2	-10.0	16.8	-0.2	7.3	1.2	1.5
Maize	6.3	4.4	9.0	-19.2	33.9	2.5	-1.2	0.0	6.2
<i>India</i>									
Rice	8.8	4.3	2.0	-8.9	12.2	-9.7	23.0	-14.0	25.4
Wheat	18.8	6.0	18.6	10.8	-6.3	-12.0	10.7	19.7	0.6
Maize	12.6	1.2	-31.8	25.2	-9.2	-4.2	30.5	-12.3	-6.5
Sorghum	-2.7	6.4	-4.7	-9.8	30.6	14.5	-8.7	10.7	12.3
<i>Nepal</i>									
Wheat	3.5	0.4	1.7	-14.2	20.2	1.5	6.2	-8.4	-4.4
Rice	16.1	6.3	-27.2	20.2	34.4	-1.3	7.8	16.6	-6.4
Maize	0.4	-1.5	-8.9	8.3	-1.0	1.6	-9.6	6.6	-7.2
<i>Pakistan</i>									
Rice	13.8	4.3	2.9	3.0	5.4	-5.8	13.1	4.6	7.2
Wheat	18.0	3.2	-11.2	6.4	8.0	2.5	0.6	13.3	2.7
Maize	7.0	2.1	-1.7	0.1	8.8	-2.7	7.4	-4.7	7.5
<i>Sri Lanka</i>									
Rice	13.5	2.8	-13.6	-6.0	0.0	22.1	-28.0	8.6	36.2
Maize	17.6	14.1	-13.3	15.4	40.0	9.5	17.4	0.0	29.6
<i>Southeast Asia</i>									
<i>Indonesia</i>									
Rice	9.8	3.2	4.4	-3.1	9.8	5.8	1.8	3.5	0.6
Maize	-1.8	3.7	-7.8	-13.5	63.7	-12.2	-10.4	-11.4	17.8
<i>Malaysia</i>									
Rice	8.2	1.4	8.2	1.8	6.8	6.4	-4.5	-4.4	-4.6
<i>Philippines</i>									
Rice	7.2	4.3	-4.5	-13.4	26.7	1.2	8.8	4.9	6.7
Maize	7.8	6.6	0.4	-9.0	25.0	12.2	5.0	2.6	9.8
<i>Thailand</i>									
Rice	0.2	1.8	3.6	-9.7	20.0	-10.1	14.3	-1.5	-3.8
Maize	14.6	4.5	18.7	-42.8	78.2	8.8	12.3	-6.6	-37.3
<i>East Asia</i>									
<i>China</i>									
Rice	3.7	2.3	4.7	-3.2	5.9	5.2	1.1	0.3	1.9
Wheat	4.9	3.8	6.4	6.1	2.8	2.8	10.8	4.9	-7.0
Maize	3.3	2.1	3.4	-3.3	3.5	3.4	3.3	3.0	1.5
<i>Republic of Korea</i>									
Rice	1.2	6.3	1.5	-1.0	6.4	5.5	5.0	11.8	15.1
Wheat	3.2	-17.6	-10.5	-24.0	-32.9	-26.0	31.1	-15.5	-45.1
Barley	-0.4	-5.8	-5.1	6.0	-9.8	-3.8	22.5	3.5	-53.7
<i>Developing ESCAP^a</i>									
Rice	5.2	2.7	1.9	-4.6	9.2	-0.3	7.8	-3.2	7.8
Wheat	8.6	4.3	6.9	8.7	0.5	-2.2	10.1	10.2	-3.8
Maize	4.1	1.4	-2.7	-2.6	7.8	1.8	5.9	-0.4	-0.2
Barley	3.0	-1.3	-0.9	-6.6	4.3	-5.4	7.0	1.7	-9.4
Total cereals ^b	5.3	2.3	0.9	-2.8	8.1	-1.3	7.9	-0.1	3.6

Source: Food and Agriculture Organization of the United Nations, computer printouts dated April and December 1978.

Notes: ^a Including countries and territories not shown separately in this table: Bhutan, Brunei, Hong Kong, Democratic Kampuchea, Lao People's Democratic Republic, that portion of Viet Nam formerly under the administration of the Republic of South Vietnam, and Pacific island countries.

^b Including millet, sorghum and other cereals.

Table 10. Selected developing ESCAP countries:
proportion of total rice area planted to modern varieties, 1965-1976
(percentage)

Country	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
<i>South Asia</i>											
Bangladesh	—	—	0.7	1.6	2.6	4.6	6.8	11.1	15.7	14.8	...
Burma	—	—	0.1	3.3	2.9	3.8	3.7	4.1	5.0	6.4	...
India	—	2.5	4.9	7.3	11.3	14.5	19.1	22.1	25.4	28.4	32.9
Nepal	—	—	—	3.7	4.2	5.2	7.4	14.8	16.6	18.0	...
Pakistan	—	—	0.3	19.8	30.9	36.6	50.0	43.7	42.1	39.3	...
Sri Lanka	—	—	—	1.1	3.7	5.2	13.1	40.6	54.1	67.1	...
<i>Southeast Asia</i>											
Indonesia	—	—	—	2.5	10.4	11.1	16.0	24.4	36.9	40.3	...
Lao People's Democratic Republic	—	—	0.1	0.3	0.3	8.1	4.5	7.5	7.5	7.3	...
Malaysia (Peninsular) . .	10.3	15.4	23.1	20.9	26.5	31.4	37.1	38.1	37.4	37.5	...
Philippines	—	2.7	21.2	40.6	43.5	50.3	56.3	54.0	63.3	61.5	64.2
Thailand	—	—	—	—	—	0.4	1.3	4.6	5.6	6.6	...
<i>East Asia</i>											
Republic of Korea . . .	—	—	—	—	—	—	0.2	15.7	11.8	25.5	43.0
Total	0.1	1.4	3.6	6.6	9.9	12.8	16.5	20.3	24.3	26.3	...

Sources: D. Dalrymple, "Development and spread of high-yielding varieties of wheat and rice in the less developed nations" (Washington, D.C., United States Department of Agriculture, 1976) (mimeo.); Adelita C. Palacpac, "World rice statistics 1978" (Los Banos, International Rice Research Institute, 1978) (mimeo.); national sources.

Table 11. Selected developing ESCAP countries:
consumption of fertilizers^a, and index of relative price of rice and fertilizers^b

Country	1972	1973	1974	1975	1976
<i>Philippines</i>					
Consumption of fertilizer	100	133	146	149	178
Ammonium sulphate/rice price index	100	75	71	66	186
Urea/rice price index	100	73	106	81	164
<i>Republic of Korea</i>					
Consumption of fertilizer	100	117	129	127	102
Ammonium sulphate/rice price index	100	101	104	98	166
Urea/rice price index	100	99	102	96	162
<i>Thailand</i>					
Consumption of fertilizer	100	92	116	94	116
Ammonium sulphate/rice price index	100	84	78	65	24
Urea/rice price index	100	109	92	92	41

Sources: Calculated from data in Food and Agriculture Organization of the United Nations, *Production Yearbook*, 1976 and 1977 (Rome, 1977 and 1978) and *Annual Fertilizer Review*, 1976 and 1977 (Rome, 1977 and 1978).

Notes: ^a Consumption of all types of manufactured fertilizer per hectare of arable land expressed as an index.

^b Prices paid by farmers for fertilizers divided by wholesale prices of rice expressed as an index.

lative to prices of food, but the evidence of table 11, covering three countries, is inconclusive. In the Philippines, consumption of fertilizers continued to increase markedly between 1974 and 1976 in spite of the large increases in farmers' fertilizer prices relative to rice prices received by farmers while in the Republic of Korea the rise in prices may have helped to choke off fertilizer consumption. In Thailand, however, a fall in the ratio of fertilizer prices to wholesale prices of rice apparently failed to provide the incentive for increased use of fertilizers which remains at rather low levels by the standards of other developing countries in the ESCAP region.

108. The efficacy of HYV seeds and of fertilizers in rice culture, however, is crucially dependent on reliable supplies of water. Probably the most important single determinant of the security of annual production levels is the extent of irrigated land. Unfortunately, an adequate assessment of the extent of irrigated land in individual countries is virtually impossible. This is because a satisfactory and comparable definition of "irrigated" land does not exist and estimates vary greatly. Much of the land described as irrigated in the developing countries of the ESCAP region may still only be erratically served by water supplies.

109. In many of the developing countries of the ESCAP region, the proportion of irrigated land capable of assuring secure water supplies throughout the rice-growing season is rather small. One source²⁰ records that in 16 Asian developing countries taken together, some 65 per cent of rice land depends completely on rainfall, and most of the remainder is "inadequately irrigated".²¹ This helps to explain why rice yields in the majority remain low in spite of the continuing spread of new seeds and fertilizers. A summary of the evolution of average rice (paddy) yields over time for individual countries is provided in table 12 and may be taken as one indicator of the spread of irrigation. In Afghanistan, the Philippines, Thailand and the south Asian countries, yields are currently around 2 metric tons per hectare. In some cases, these yields do not appear to have increased significantly over the span of more than 10 years shown in the table. The countries that have achieved high and increasing yield levels — including China, Indonesia, Iran and Malaysia, and at the upper extreme, the Republic of Korea — are among those that have given high priority to irrigation and water management schemes.

110. The Republic of Korea also provides an example of a country which, in the post-1972 years, appears to have succeeded in ensuring rapid and consistent annual growth in rice production.²² The

only other country that has matched this performance is the Philippines, where a concerted production programme (Masagana 99) was initiated in 1973. Its effects have been mainly limited to the most favourable rice-growing areas, which is one reason why average national yields remain low, but there have evidently been beneficial consequences from the major extension of effective water management and increased fertilizer and HYV seed use that has resulted from the programme.

111. The progress of wheat production during the 1970s has shown wide annual fluctuations not only in countries where it is a minor and in some cases rather a marginal crop, but also in the major producing countries, such as Afghanistan, China, India, Iran and Pakistan. However, although substantially below the impressive rates of expansion that were achieved in the years immediately following the introduction of new varieties in 1965, the over-all performance of output growth since 1970 has been reasonably good. This record has been evidence of the further scope for raising the yields of wheat from the wider introduction of HYVs, estimated to have been adopted on 72 per cent of the total wheat area in the ESCAP region (more than 50 per cent of this HYV area being in India) by 1976/77.²³ Apart from yield increases, wheat output has also benefitted in recent years from the expansion of cultivated areas in certain countries, particularly in India; but the reverse is true of the Republic of Korea where wheat area and output have both diminished sharply since early in the decade despite higher yields.

112. Maize production, unlike rice and wheat, has not benefitted from the application of important technical advances. However in some countries of the region, it has made some impressive gains during the decade, substantially by means of expansion in harvested area. Among the more important producers, the Philippines and Thailand have achieved impressive expansion in production in certain years, but with major annual fluctuations mainly determined by changes in market conditions. However, in 1977 the maize crop in Thailand was decimated by drought and output fell by 37 per cent

²⁰ See for example The Trilateral Commission, *Reducing Malnutrition in Developing Countries: Increasing Rice Production in South and Southeast Asia*, The Triangle Papers No. 16 (New York, 1978), p. 22. The report excludes China.

²¹ In India, "... less than 40 per cent of the rice area is irrigated and the existing irrigation systems... are terribly over-extended, proving inadequate for the modern varieties which demand a reliable and regulated supply of water", *ibid.*, p. 19.

²² One important contributory factor to this achievement was the introduction in 1971 of the new locally developed *Tong-il* rice strain.

²³ Food and Agriculture Organization of the United Nations, "The state of food and agriculture 1978", *op. cit.*, p. 18.

compared with the previous year. For Thailand, maize is chiefly an export crop (up to nine tenths of total output); production has expanded in recent years mainly in response to export demand. Of the other major foodgrains, sorghum is of some importance in India, where it has shown quite rapid expansion during the current decade, while barley, which is a staple food in Iran and the Republic of Korea, has had rather mixed fortunes.

113. Among the developing countries listed in table 13 only Thailand is a consistently large exporter of foodgrains. Burma and Nepal are net exporters of rice on a much smaller scale, while Pakistan has achieved a small export surplus only in very recent years. More commonly, the developing countries of the region are heavily dependent on imported cereals, their dependency ratios varying in 1976-1977 from 2.9 per cent of total availability in India, up to 43.2 per cent in Sri Lanka, 74.7 per cent in Fiji and 95 per cent in Papua New Guinea. For most countries, therefore, the overwhelming significance of foodgrain production is for domestic food consumption, and thereby for nutrition.

114. The absolute quantities of foodgrains imported by some developing ESCAP countries are considerable. The wheat imports of India in 1976-1977 represented 17.6 per cent of the gross imports of the developing countries of the ESCAP region (see tables 13 and 14) and 4.8 per cent of world wheat imports. In respect of rice, the developing ESCAP region is (narrowly) a net exporter, but Indonesia in 1976-1977 alone accounted for nearly 17 per cent of total world imports. In periods of world shortages of foodgrains, the significance of the size of these import requirements becomes crucial, particularly in the absence of any firm global understanding on how food surpluses may be shared. Between 1972 and 1973 inaccurate forecasting of the world wheat crop occasioned very sharp rises in wheat prices on the world market and quantities available for the deficit countries of the developing ESCAP region were in effect rationed. Fortunately, the global foodgrain situation has eased considerably since then; the carryover stocks of cereals at the end of the 1977/78 season had regained the level of 19 per cent of total world consumption attained in 1971/72, compared with only 12 per cent at the end of 1974/75. Closing wheat stocks in 1977/78 stood at 79 million metric tons but were forecast by FAO to reach 85 million by the end of 1978/79, and rice stocks were at record levels of 22 million tons.²⁴

²⁴ *Ibid.*, p. 14.

Table 12. Selected developing ESCAP countries:
average rice (paddy) yields
(metric tons per ha)

	1961-1965	1969-1971	1975-1977
<i>West Asia</i>			
Iran	2.9	2.9	3.4
<i>South Asia</i>			
Afghanistan	1.6	1.8	2.1
Bangladesh	1.7	1.7	1.9
Burma	1.6	1.7	1.8
India	1.5	1.7	1.8
Nepal	2.0	1.9	1.9
Pakistan	1.4	2.2	2.3
Sri Lanka	1.9	2.5	2.3
<i>Southeast Asia</i>			
Indonesia	1.8	2.4	2.7
Malaysia (Peninsular) . .	2.5	2.8	3.0
Philippines	1.3	1.7	1.8
Thailand	1.6	1.9	1.8
<i>East Asia</i>			
China ^a	2.8	3.2	3.5
Republic of Korea . . .	4.1	4.6	6.0

Sources: Food and Agriculture Organization of the United Nations, *Production Yearbook 1976 and 1977* (Rome 1977 and 1978).

Note: ^a Unofficial estimates.

115. In large part, this improvement in the global situation reflects the recovery of cereals production from the low levels of 1972, most notably in the ESCAP region. However, the change, which can scarcely be considered permanent, has not signalled important reductions in the region's import dependence. Although the annual average cereal imports of the region in 1976-1977 had fallen as compared with 1973-1975, they stood some 30 per cent higher than during the period 1970-1972, equivalent to 18.2 per cent of world imports (a slight decline from 19.4 per cent). In each of the major subregions of table 14, there was stability or decline in quantities of rice imports, but dependence on wheat and maize has advanced considerably; in the case of wheat, the developing ESCAP region's gross needs now account for almost 30 per cent of total world imports, which is comparable to their relative levels of the late 1960s, but represents a proportionate increase since 1970-1972.

Table 13. Selected developing ESCAP countries: availability of main cereals, 1961-1977
(thousand metric tons; annual averages)

Country or area	1961-1965			1970-1972			1973-1975			1976-1977		
	Production	Net imports ^a	Availability	Production	Net imports ^a	Availability	Production	Net imports ^a	Availability	Production	Net imports ^a	Availability
<i>West Asia</i>												
<i>Iran</i>												
All cereals	4,275	270	4,545	5,898	770	6,608	7,007	1,733	8,740	8,234	2,087	10,321
Rice	562	13	575	726	53	779	897	160	1,057	1,061	430	1,491
Barley	792	2	794	998	72	1,070	1,075	163	1,238	1,318	285	1,603
Wheat	2,873	176	3,049	4,118	595	4,713	4,957	1,220	6,177	5,772	953	6,725
<i>South Asia</i>												
<i>Afghanistan</i>												
All cereals	3,541	68	3,609	3,454	257	3,711	4,149	13	4,162	4,342	22	4,364
Rice	223	—	223	242	1	243	276	—	276	296	3	299
Maize	711	—	711	686	—	686	770	—	770	808	—	808
Wheat	2,207	67	2,274	2,149	128	2,277	2,700	12	2,712	2,794	19	2,813
<i>Bangladesh</i>												
All cereals	10,179	762	10,941	10,631	1,483	12,114	12,217	2,304	14,521	12,840	1,045	13,885
Rice	10,082	301	10,383	10,440	513	10,953	12,046	249	12,295	12,538	296	12,834
Maize	4	1	5	2	—	2	2	—	2	2	—	2
Wheat	37	455	492	111	970	1,081	106	2,029	2,135	238	747	985
<i>Burma</i>												
All cereals	5,210	—1,551	3,659	5,293	—634	4,659	5,876	—196	5,680	6,401	—638	5,763
Rice	5,061	—1,559	3,502	5,135	—654	4,481	5,705	—213	5,492	6,197	—648	5,549
Maize	58	—19	39	66	—12	54	74	—4	70	82	—8	74
Wheat	38	10	48	35	—	35	42	9	51	62	—	62
<i>India</i>												
All cereals	70,281	5,471	75,752	91,372	2,327	93,699	96,185	5,326	101,511	106,328	3,854	110,182
Rice	35,331	818	36,149	41,720	455	42,175	44,461	177	44,638	47,619	236	47,855
Maize	4,593	111	4,704	6,325	4	6,329	6,206	2	6,208	6,154	8	6,162
Sorghum	8,848	118	8,966	7,598	12	7,610	9,672	712	10,384	11,171	—	11,171
Wheat	11,191	4,521	15,712	23,445	1,863	25,308	23,539	4,431	27,970	28,928	3,417	32,345
<i>Nepal</i>												
All cereals	2,518	—298	2,220	2,633	—205	2,428	2,901	—114	2,787	2,817	—147	2,670
Rice	1,396	—296	1,100	1,443	—202	1,241	1,619	—117	1,502	1,517	—143	1,374
Maize	849	—	849	805	—3	802	796	—3	793	768	—3	765
Wheat	135	—	135	230	—	230	317	6	323	374	—	374
<i>Pakistan</i>												
All cereals	6,662	756	7,418	10,624	112	10,736	11,573	606	12,179	13,168	—114	13,054
Rice	1,222	—223	999	2,275	—267	2,008	2,474	—621	1,853	2,850	—864	1,986
Maize	514	2	516	709	2	711	772	2	772	792	—6	786
Wheat	4,153	962	5,115	6,887	367	7,254	7,582	1,248	8,830	8,810	768	8,042
<i>Sri Lanka</i>												
All cereals	688	802	1,490	1,009	920	1,929	972	1,035	2,007	1,064	1,169	2,233
Rice	658	517	1,175	980	383	1,363	922	369	1,291	1,006	458	1,464
Maize	10	3	13	13	1	14	24	2	26	31	—2	29
Wheat	—	—	—	—	48	48	—	86	86	—	105	105
<i>Southeast Asia</i>												
<i>Indonesia</i>												
All cereals	11,109	995	12,104	15,760	1,132	16,892	18,141	1,878	20,019	18,324	2,724	21,048
Rice	8,305	890	9,195	13,198	733	13,931	14,863	1,229	16,092	15,523	1,633	17,156
Maize	2,804	2	2,806	2,555	—168	2,387	3,278	—143	3,135	2,801	34	2,835
Wheat	—	16	16	—	223	223	—	684	684	—	1,007	1,007
<i>Malaysia</i>												
All cereals	749	746	1,495	1,163	871	2,034	1,334	917	2,251	1,245	1,093	2,338
Rice	741	423	1,164	1,153	271	1,424	1,313	254	1,567	1,212	247	1,459
Maize	8	72	80	10	218	228	21	254	275	32	344	376
Wheat	—	24	24	—	325	325	—	352	352	—	439	439
<i>Philippines</i>												
All cereals	3,877	688	4,565	5,169	986	6,155	6,291	863	7,154	7,243	842	8,085
Rice	2,572	260	2,832	3,219	273	3,492	3,773	211	3,984	4,341	36	4,377
Maize	1,305	—1	1,304	1,950	72	2,022	2,518	104	2,622	2,902	112	3,014
Wheat	—	352	352	—	598	598	—	500	500	—	660	660
<i>Thailand</i>												
All cereals ^b	8,270	—2,329	5,941	10,638	—3,268	7,370	12,361	—2,901	9,460	11,933	—4,287	7,646
Rice	7,436	—1,611	5,825	8,674	—1,589	7,085	9,589	—949	8,640	9,757	—2,434	7,323
Maize	816	—741	75	1,851	—1,642	209	2,585	—1,856	729	2,176	—1,952	224
Wheat	—	4	4	—	66	66	—	76	76	—	99	99

Table 13. (Continued)

Country or area	1961-1965			1970-1972			1973-1975			1976-1977		
	Production	Net imports ^a	Availability	Production	Net imports ^a	Availability	Production	Net imports ^a	Availability	Production	Net imports ^a	Availability
<i>East Asia</i>												
<i>Hong Kong</i>												
All cereals	13	554	567	8	668	676	3	664	667	2	774	776
Rice	13	359	372	8	349	357	3	335	338	2	348	350
Maize	—	78	78	—	154	154	—	157	157	—	228	228
Wheat	—	82	82	—	118	118	—	116	116	—	140	140
<i>Republic of Korea</i>												
All cereals	5,039	694	5,733	5,960	2,934	8,894	6,272	3,018	9,290	7,259	3,332	10,591
Rice	3,599	5	3,604	4,078	842	4,920	4,568	383	4,951	5,768	102	5,870
Barley	1,148	150	1,298	1,567	134	1,701	1,510	506	2,016	1,286	164	1,450
Wheat	170	491	661	188	1,551	1,739	90	1,546	1,636	64	1,888	1,952
<i>Pacific</i>												
<i>Fiji</i>												
All cereals	14	45	59	16	46	62	19	57	76	17	71	88
Rice	13	5	18	11	7	18	13	12	25	13	21	34
Maize	1	—	1	4	—	4	4	1	5	4	2	6
Wheat	—	—	—	—	—	—	—	26	26	—	43	43
<i>Papua New Guinea</i>												
All cereals	1	41	42	3	81	84	3	84	87	4	96	100
Rice	1	24	25	1	47	48	1	53	54	1	62	63
Sorghum	—	—	—	2	—	2	2	—	2	3	—	3

Sources: ESCAP calculations based on Food and Agriculture Organization of the United Nations, *Trade Yearbook*, 1977 (Rome, 1978) and computer printouts, dated April and December 1978.

Notes: All data for rice have been converted to a milled equivalent basis in order to render the quantities comparable between production and trade, and between rice and other cereals.

^a Imports minus exports.

^b In 1976-1977, comprises only rice, wheat, maize.

Table 14. Gross cereal imports of developing countries and areas in the ESCAP region and in its major subregions, 1961-1977 (thousand metric tons; annual averages)

	1961-1965	1967-1969	1970-1972	1973-1975	1976-1977
<i>Southeast, east Asia and Pacific^a</i>					
Rice	1,966	1,897	2,522	2,477	2,498
Wheat	969	1,958	2,881	3,300	4,277
Maize	152	274	444	516	1,840
Other	676	227	871	1,188	514
Total cereals	3,763	4,356	6,718	7,481	9,129
<i>South and west Asia^b</i>					
Rice	1,649	1,436	1,405	955	1,451
Wheat	6,191	6,541	3,971	9,041	6,011
Maize	117	141	7	6	267
Other	172	1,338	486	1,015	1,284
Total cereals	8,129	9,456	5,869	11,017	9,013
<i>Other ESCAP^c</i>					
Rice	985	1,825	1,980	1,938	659
Wheat	4,962	5,048	5,812	6,303	9,133
Maize	469	701	1,754	3,473	1,781
Other	1,477	1,583	1,383	1,587	848
Total cereals	7,893	9,157	10,929	13,301	12,421
<i>Developing ESCAP: total</i> (percentage of world imports)					
Rice	4,600 (61.2)	5,158 (63.0)	5,907 (64.4)	5,370 (60.2)	4,608 (47.4)
Wheat	12,122 (27.9)	13,547 (30.1)	12,664 (24.4)	18,644 (28.2)	19,421 (29.8)
Maize	738 (3.7)	1,116 (4.1)	2,205 (6.8)	3,995 (8.1)	3,888 (6.6)
Other	2,325 (11.9)	3,148 (15.4)	2,740 (10.1)	3,790 (12.2)	2,646 (7.8)
Total cereals	19,785 (21.9)	22,969 (22.7)	23,516 (19.4)	31,799 (20.5)	30,563 (18.2)

Sources: Food and Agriculture Organization of the United Nations, *Trade Yearbook*, 1977 (Rome, 1978) and computer printout dated April 1978.

Notes: All data for rice have been converted to a milled equivalent basis.

^a Fiji, Hong Kong, Indonesia, Malaysia, Papua New Guinea, Philippines, Republic of Korea and Thailand.

^b Afghanistan, Bangladesh, Burma, India, Iran, Nepal, Pakistan and Sri Lanka.

^c Bhutan, Brunei, China, Democratic Kampuchea, Lao People's Democratic Republic, Mongolia, Samoa and Solomon Islands.

116. The largest long-term increases in demand for wheat have come mainly from southeast and east Asia, as well as from Iran. In the early 1960s, Indonesia and Malaysia were small wheat importers, but subsequent growth in demand has been very rapid and by 1976-1977 average annual absorption exceeded 1 million tons in Indonesia, and 400,000 tons in Malaysia (see table 13). The Philippines and the Republic of Korea are also major consumers of imported wheat, as is Iran where demand has outstripped the large increases in domestic production achieved during the 1970s. In south Asia, import requirements for wheat in Bangladesh, India, Pakistan and Sri Lanka rose very sharply during the early part of the 1970s as evidenced by a comparison between 1970-1972 and 1973-1975. The import demands of the three producer countries, however (i.e., excepting Sri Lanka) have declined quite substantially in 1976-1977, reflecting the generally large increases in domestic production achieved during these two years.

117. With the exception of Indonesia, Iran and some Pacific island countries (e.g., Fiji and Papua New Guinea) the dependence of individual developing countries of rice imports has shown a long-term decline.²⁵ In view of the slower growth of rice production, as compared with wheat production, this diminishing dependence signifies that in several countries an important permanent shift may be occurring in the composition of total available foodgrains. In Malaysia for example, rice accounted for over three quarters (78 per cent) of total available cereals in 1961-1965, but by 1976-1977 this proportion had fallen to 62 per cent; over the same period, the proportionate share of wheat grew from less than 2 to nearly 19 per cent. In other countries, the changes in composition have been less pronounced, but in Bangladesh, India, the Philippines, the Republic of Korea, Sri Lanka and Thailand the relative importance of rice has fallen and the proportionate share of wheat has increased. In fact, of the countries listed in table 13, only Burma, Iran and Pakistan actually recorded a decline in the importance of wheat between the two periods. Because of fluctuations in some intervening years it is incorrect to claim to have identified a trend in every case. However there is strong evidence for a general increase in the relative importance of wheat in total cereals availability; and given the continuing overwhelming importance of rice and wheat in total foodgrain consumption, with little evidence of a decline in their joint proportionate share, it is clear that these compositional changes consist in effect of a trade-off between them.

118. This apparent shift in patterns of availability is of interest insofar as it reflects permanent changes in consumption and thereby has implications for future import dependency in foodgrains. As proxies for consumption the figures of availability in table 13 are imperfect, since they take no account of year-to-year stock changes; however this problem is partially circumvented by grouping data for two or more years so that the figures have at least indicative value. The extent to which such consumption data demonstrate trends in tastes is a more open question. In the case of "middle income" countries such as Malaysia and the Republic of Korea, the evidence suggests that the demand for wheat has a positive income elasticity and that for rice a negative one. However, for several other countries of the region, and particularly those in south Asia, changes in "tastes" may to some quite large degree have been adopted as a consequence of the greater availability and relative cheapness of wheat on the world market when these countries have had to enter it to make good the shortfalls in their domestic production. In part because of its importance in the grain surpluses of the United States of America, wheat has also been a large component in food aid, which during the 1970s accounted for a significant proportion of cereals imported into developing ESCAP countries. Hence to a certain extent availability has determined choice and not the other way round.

119. The degree to which this change in tastes is maintained and the demand for wheat likely to show further large increases has profound implications for the future import dependence of the region. In view of the incapacity of tropical countries (e.g., in southeast Asia and Sri Lanka) to grow wheat, permanent changes in taste could herald a greatly increased dependence on imported foodgrains in the longer term.

(c) Production of other food crops

120. In most developing countries of the ESCAP region, less than 30 per cent of the daily calorie intake is provided by foods other than cereals. Exceptions are India, where relatively larger amounts of pulses and of milk products are consumed; Indonesia, where roots and tubers are relatively more common in average diets; and Sri Lanka where fruits, and roots and tubers are more important. In each of these cases, however, and in the majority of developing countries of the ESCAP region, there has been a tendency for dependence on non-cereals as a calorie-source to decrease between the mid-1960s and the first part of the

²⁵ In the Republic of Korea, the decline has been within the present decade.

present decade,²⁶ and the average *per capita* consumption of roots and tubers has tended to fall.²⁷ These are perhaps surprising shifts in diet in view of the substantial price increases for cereals in the first half of the present decade, but the change probably reflects the much greater efforts of Governments to promote production of the major grains, to the detriment of minor crops. In the case of cassava, output has increased in certain countries, particularly since 1975. In Thailand production more than doubled between 1972 and 1977, but this increase was primarily in response to strong demand in Europe for tapioca pellets to be used as cattle feed. In India and Indonesia, output of cassava has also increased but at much slower rates.

(d) Production of cash crops

121. The principal food and non-food cash crops produced in the region are sugar, tea, coconut oil, copra, jute (and kenaf), cotton, rubber and timber; and it can be seen from table 15 that exports account for a high proportion of production of these crops in most cases. To an important extent, levels of domestic production of these crops in individual countries have been determined by changes in external demand, but no simple relationship exists, particularly in the short term.

122. Domestic production would closely follow world demand only if supply were completely elastic and export and producer prices faithful indicators of that demand. In practice, however, the relationship is highly imperfect. Important changes in domestic production tend to occur in response to changes in prices received by producers, but these may be insulated from export prices by government support policies. For example, in Thailand the Government maintained levels of producer prices for sugar during 1976 and 1977 despite world prices having fallen sharply, and production continued its rapid growth during those two years; although world demand was weak, exports from Thailand continued to rise as supplies from some other countries levelled out or declined.²⁸ Export price changes themselves are not always reliable indicators of external demand, because where individual countries are dominant suppliers of the world market, prices may follow changes in the levels of their domestic production. World prices of raw jute, for example, have risen in recent years partly because of supply shortages from Bangladesh, which generally provides between one half and three quarters of the total supply. The rise in price, moreover, may have contributed to the falling demand for jute, thus reversing the causal relationship. Even where there are clear autonomous increases in world demand for individual

commodities, domestic production in price-taking supplier countries may not rise due to difficulties of increasing output in the short term. Examples are found in the large decline in production of coconut oil in Sri Lanka, when demand was strong in 1973 and 1974, due to the serious affliction of coconut palms by pest, and in the inability of Fiji to expand sugar production after 1973 in response to substantial price rises. Finally there are policy factors other than those affecting prices that can have important influences on domestic production levels.

123. Changes in levels of production of some cash crops in individual countries have been determined in large part by supply factors. World export demand for tea has grown steadily during the 1970s and between 1973 and 1977 there have been large increases in its price. However, Sri Lanka was unable to increase production to take advantage of this situation.

124. In the case of certain other more supply-elastic commodities, there is evidence of the predominant influence of external demand. For cotton, rubber and timber output levels in individual producer countries clearly reflect the rise and fall of the business activity cycle in the world market economy with production peaks in 1973 followed by successive declines and recovery. There are also instances where supply factors have tended to reinforce the effects of external demand changes. Pests combined with unfavourable weather in Pakistan exacerbated and prolonged the decline in production of cotton in 1975-1976. In the case of raw jute in Bangladesh, supply constraints (partly as a result of the transfer of land to rice in response to relative price changes)²⁹ may have helped to accelerate the longer-term decline in world demand.

125. Yet supply and external demand factors can also combine in highly beneficial ways where individual countries can rapidly expand output of commodities when world demand is rising, permitting them not only to take full advantage of this increasing demand but also to enlarge their world market shares. Two commodities which have enjoyed buoyant demand during the present decade are rubber and palm oil. The region is the major

²⁶ Asian Development Bank, *Asian Agricultural Survey* (Manila, 1976), appendix I-2.2.

²⁷ On a weight-for-weight basis, the calorie contribution of roots and tubers is only about one quarter as much as cereals such as rice and maize; *ibid.*, p. 72.

²⁸ Since Thailand joined the International Sugar Agreement in 1978, holding it to an annual quota of 1.02 million tons, the prospects are that the country will, as a result of bumper production in 1978/79, have an unwanted surplus in 1979 possibly exceeding 600,000 tons.

²⁹ In Thailand, the encroachment of cassava on land previously used for growing kenaf has contributed to falling production of this fibre crop.

Table 15. Developing ESCAP countries:
selected agricultural production, exports and export prices

	1970	1971	1972	1973	1974	1975	1976	1977
<i>Fiji</i>								
<i>Sugar</i>								
Production (thousand metric tons) .	361	322	303	301	273	272	296	362
Export (thousand metric tons) . .	334	340	279	273	258	280	250	322
Price ^a (\$F/metric ton)	95	97	123	126	260	380	272	276 ^b
<i>India</i>								
Production (thousand metric tons) .	4,261	3,740	3,113	3,873	3,948	4,792	4,639	4,730
Export (thousand metric tons) . .	348	316	102	253	695	1,201	580	
Price ^c (US cents/lb)	3.76	4.55	7.39	9.63	29.97	20.48	11.57	7.52
<i>Philippines</i>								
Production (thousand metric tons) .	1,927	2,058	1,815	2,245	2,446	2,394	2,875	2,685
Export (thousand metric tons) . .	1,228	1,345	1,211	1,474	1,542	972	1,466	2,242
Price (₱/picul)	48.72	58.15	67.86	75.57	146.58	147.92	122.67	90.00
<i>Thailand</i>								
Production (thousand metric tons) .	406	580	586	725	988	1,106	1,604	2,212
Export (thousand metric tons) . .	56	174	408	275	444	595	1,124	1,655
Price (B/metric ton)	1,671	2,188	3,102	4,216	8,465	9,566	6,088	4,500
<i>India</i>								
<i>Tea</i>								
Production (thousand metric tons) .	419	435	456	472	489	483	519	
Export (thousand metric tons) . .	199	209	193	192	230	212	243	
Price (Rs/kg)	7.13	7.40	6.67	7.04	10.12	12.10	12.64	
<i>Sri Lanka</i>								
Production (thousand metric tons) .	212	213	213	211	204	214	197	209
Export (thousand metric tons) . .	208	207	190	206	175	213	200	186
Price (SRs/kg)	5.37	5.51	6.11	6.13	7.75	9.08	10.50	18.86
<i>Philippines</i>								
<i>Coconut oil</i>								
Production (thousand metric tons) .	475	536	605	620	674	797	821	853
Export (thousand metric tons) . .	339	397	466	427	416	614	862	770
Price (₱/kg)	1.68	1.51	1.20	3.08	6.61	2.66	2.88	4.12
<i>Sri Lanka</i>								
Production (metric tons)	1,178	480	1,131	1,019	209	—	264	...
Export (metric tons)	58	70	87	18	22	54	61	9
Price (SRs/kg)	2.01	2.11	1.55	1.47	6.47	3.44	3.10	4.40
<i>Philippines</i>								
<i>Copra</i>								
Production (thousand metric tons) .	1,656	1,574	1,703	1,698	1,703	1,718	1,865	2,051
Export (thousand metric tons) . .	445	692	926	734	268	761	823	635
Price (₱/100 kg)	97.69	88.85	68.57	187.34	375.78	147.10	165.17	253.46
<i>Samoa</i>								
Production (thousand metric tons) .	...	...	...	14	18	15	14	17
Export (thousand metric tons) . .	10	18	19	14	12	19	12	18
Price ^c (\$US/metric ton)	215	188	141	344	670	256	277	403
<i>Bangladesh</i>								
<i>Jute</i>								
Production (thousand bales) . . .	6,670	4,193	6,514	6,000	3,476	3,938	4,806	...
Export (thousand tons)	...	...	513	468	313	416	439	...
Price (Tk/bale)	...	...	458.75	503.44	744.95	811.33	917.24	...
<i>Pakistan</i>								
<i>Cotton</i>								
Production (thousand metric tons) .	542	708	702	659	635	513	430	569
Export ^a (thousand metric tons) .	217	248	415	150	284	228	90	...
Price (URs/kg)	3.08	3.50	4.49	6.24	5.46	5.94	5.95	...

Table 15 (continued)

	1970	1971	1972	1973	1974	1975	1976	1977
<i>Palm oil</i>								
<i>Indonesia</i>								
Production (thousand metric tons) .	216	248	269	290	351	411	434	496
Export (thousand metric tons) . .	159	209	236	263	281	386	406	405
Price ^a (\$US/metric ton) . . .	220.5	213.9	174.6	267.2	559.4	392.5	334.1	453.8
<i>Malaysia</i>								
Production (thousand metric tons) .	431	589	726	810	1,041	1,257	1,390	1,593
Export (thousand metric tons) . .	402	573	697	798	901	1,163	1,346	1,424
Price (\$M/metric ton)	797.2	790.1	606.4	917.3	1,573.9	1,002.2	1,025.4	1,315.7
<i>Rubber</i>								
<i>Indonesia</i>								
Production (thousand metric tons) .	809	786	803	845	820	780	810	818
Export (thousand metric tons) . .	790	789	775	890	840	788	812	800
Price (RSS3) (Rp/kg)	118.4	97.6	104.9	228.6	224.5	167.8	257.4	274.6
<i>Malaysia</i>								
Production (thousand metric tons) .	1,270	1,324	1,325	1,567	1,549	1,478	1,644	1,613
Export (thousand metric tons) . .	1,345	1,390	1,365	1,639	1,570	1,460	1,620	1,653
Price (RSS3) (\$M/kg)	1.19	0.93	0.87	1.57	1.60	1.30	1.90	1.95
<i>Sri Lanka</i>								
Production (thousand metric tons) .	159	141	140	155	132	149	152	146
Export (thousand metric tons) . .	161	129	130	161	128	161	137	136
Price (SRs/kg)	2.73	2.38	2.05	3.68	5.75	4.06	6.50	6.85
<i>Thailand</i>								
Production (thousand metric tons) .	287	316	337	382	379	349	392	425
Export (thousand metric tons) . .	276	308	318	390	362	332	373	402
Price (B/metric ton)	8,098	6,188	5,861	11,710	13,887	10,458	14,183	15,326
<i>Timber (logs)</i>								
<i>Burma</i>								
Production (thousand cu ton) . .	966	944	951	1,105	786	659	639	...
Export (thousand cu ton) . . .	110	142	159	186	133	102	88	94
Price ^a (K/cu ton)	1,054	1,092	1,221	1,847	2,017	2,663	4,188	4,810
<i>Indonesia</i>								
Production (thousand m ³) . . .	10,899	13,706	17,717	26,297	20,840	14,588	19,182	20,016
Export (thousand metric tons) . .	5,772	7,684	10,840	14,770	14,188	11,042	14,814	15,802
Price ^a (\$US/metric ton) . . .	18.1	21.0	21.1	38.8	51.1	45.3	52.7	60.4
<i>Malaysia</i>								
Production (thousand metric tons) .	17,698	18,015	20,608	24,024	21,358	19,126	26,152	26,579
Export (thousand m ³)	8,914	8,772	9,118	10,122	9,553	8,473	15,394	16,078
Price ^a (\$M/m ³)	72.2	73.2	65.0	97.5	108.1	79.0	95.6	94.5

Sources: United Nations, *Quarterly Bulletin of Statistics for Asia and the Pacific*, December 1972, 1973, 1974, 1975, 1976 and June 1977; *Monthly Bulletin of Statistics*, March 1977 and August 1978; *Statistical Indicators for Asia and the Pacific*, December 1978. Fiji: *Current Economic Statistics*, January 1978, p. 7. India: *Statistical Abstract 1975 of India*; *Basic Statistics relating to the Indian Economy, 1950-55 to 1975-76*; Government of India, *Economic Survey, 1972/73 and 1977/78*; *Statistical Outline of India, 1978*. Malaysia: Bank Negara Malaysia, *Quarterly Economic Bulletin*, December 1978. Thailand: Bank of Thailand, *Monthly Bulletin*, August 1978. Philippines: Central Bank of Philippines, *Statistical Bulletin*, December 1974 and December 1977. Pakistan: *Pakistan Economic Survey, 1977-78*; *Pakistan Statistical Yearbook, 1974 and 1977*. Indonesia: Bank Indonesia, *Indonesian Financial Statistics*, September 1978; *Monthly Statistical Bulletin*, March and June 1978; *Statistical Pocketbook of Indonesia, 1970 and 1971, 1974/75 and 1977*. Samoa: *Annual Statistical Abstract, 1975 and 1977*. Sri Lanka: *Statistical Pocketbook of Sri Lanka, 1972, 1974 and 1977*; Central Bank of Ceylon, *Monthly Bulletin*, June 1978. Bangladesh: *Statistical Yearbook of Bangladesh, 1975*; *Statistical Pocketbook, 1978*; *Monthly Statistical Bulletin*, January 1978. Burma: *Burma Statistical Abstract, 1974 and 1976*; *Burma Statistical Yearbook, 1973*.

Notes: ^a Unit value.

^b Estimated.

^c World export price.

^d Year begins July.

^e Raw, waste, yarn and thread.

supplier of both and production is predominantly for the export market. In the case of rubber, Malaysia and Thailand have succeeded in raising their relative shares of world production during the present decade (to nearly 45 per cent and over 11 per cent respectively in 1975-1977). Malaysian production has been reaping the full benefits of a major and protracted replanting programme that began in the mid-1950s; Thailand, where yields are much lower, has succeeded in expanding output (at an annual average rate of 6 per cent during 1970-1977) through the use of stimulants, although it has also begun to gain from its more recent replanting campaign. Production in both countries has responded much more to the stimulus of external demand than in Indonesia and Sri Lanka. Malaysia has also succeeded in substantially raising its share of world production of palm oil from less than 24 per cent in 1969-1971 to over 43 per cent in 1975-1977, attaining an annual average growth of over 20 per cent during the 1970s (despite the adverse effects of drought on production in 1977). Again, such growth reflects the country's ability to take greater advantage of rising demand than other suppliers, as a result of a concerted prior investment campaign. Finally, sugarcane production in Thailand may be cited as an example of rapid growth being able to respond to rising demand through the possibility of expanding its cultivated area.

126. It may be said in conclusion that the production performance of the major cash crops in the developing countries of the region owes something to fortuitousness, as well as to foresight. External demand changes are subject to factors beyond the control of individual supplier countries and are often unpredictable. There are also fortuitous elements (e.g., weather) which determine output capabilities. Yet extensive research and investment are often needed to provide for increasing output of a commodity when its demand is buoyant and, even when demand is sluggish, to increase competitiveness and to expand the search for alternative crops.

2. Industry

(a) Overview

127. The broad industrial sector, which comprises mining, manufacturing, construction and public utilities (electrical power, gas and water) is dominated by manufacturing in most economies. Among the developing countries of the ESCAP region which have important manufacturing sectors, on average manufacturing output accounts for about three quarters of the total contribution of the sector to gross domestic product; the share is even larger if the petroleum sector in the two major petroleum producing countries is included. Infor-

mation concerning the subsectors other than manufacturing is available for only a very few economies in the region and is not generally comparable among them. Therefore, the review which follows of the performance of industry in the region is mainly confined to manufacturing activities. In addition to the performance of the manufacturing sector during the current decade, this section looks briefly at structural change, export performance and major issues of industrial policy and planning.

128. Developing countries of the ESCAP region have made considerable progress over the years in the diversification and modernization of their economies through industrialization. Thus, in spite of the difficult world economic situation during the first half of the 1970s, the growth performance of the developing countries of the region as a group recorded a 7 per cent rate of expansion in manufacturing output (table 16). This performance represents an improvement over the second half of the 1960s and over the average for that decade. Because 1975 was a rather poor year for several countries as a result of the recession following the export boom of 1972-1974, the quinquennial change is not necessarily a representative indicator. Recovery from the short recession at mid-decade has been rapid, however, and the seven-year average for the combined index approaches the 8 per cent target rate stipulated by the International Development Strategy for the Second United Nations Development Decade.

129. Aggregated performance records, however, conceal the divergent performances of individual countries. Reference to table 16 reflects the contrasts among countries and reveals the rapid expansion of manufacturing in such countries as Indonesia, Iran, Malaysia, the Republic of Korea, Singapore and Thailand, which have not only sustained high growth rates in manufacturing over a considerable period but have in several instances achieved an accelerated pace of output growth despite short-term difficulties. It may also be noted that India recorded a revival of growth in manufacturing industry in 1976 and 1977 after a decade of slow growth. Other south Asian economies for which data are available, Pakistan and Sri Lanka, have experienced a marked deceleration in the growth of manufacturing production, especially during the 1970s.

(b) Structural transformation

130. Sustained high rates of growth in manufacturing have been supported by comparable expansion in related activities in mining, construction and electricity generation. The result has been a substantial transformation of the structure of output in many countries of the region, sufficient to reduce

Table 16. Selected developing ESCAP economies:
indexes of manufacturing production, 1960s and 1970s
(annual percentage change)

Country or area ^a	Annual averages			1976	1977
	1960-1965	1965-1970	1970-1975		
Developing ESCAP	7.7	4.6	7.1	13.5	7.5
India	9.1	2.6	3.1	10.3	5.5
Iran	10.8	11.8	16.8	13.8	...
Republic of Korea	11.7	22.1	23.4	35.6	13.8
Pakistan	14.0	8.7	3.8	-2.5	8.5
Philippines	6.1	5.1	6.6	5.2	3.5
Malaysia (Peninsular)	10.2	9.7	10.7	19.3	6.6
Singapore	10.1	16.2 ^b	11.5	12.4	8.9
Fiji ^c (value added indexes)	...	4.8	3.6	6.7	10.6
Hong Kong	...	13.4	6.2	28.2	...
Thailand	11.2	10.2	11.1	14.1	14.2
Indonesia	2.0	8.0	15.0	9.7	11.8
Sri Lanka	5.2	7.3	1.9	1.9	1.1

Sources: United Nations, *Monthly Bulletin of Statistics*, April 1979; IBRD, Economic Data Sheet-1 (11/4/78) and national sources.

Notes: ^a Listed in order of size of sector (1970 value added) in each group. Upper group: data based on indexes of industrial production; lower group: based on value added at constant prices. Italicized figures: value-added base.

^b 1966-1970.

^c 1965-1970 based on production data; not strictly comparable with 1970-1976, based on the index of manufacturing production, which is dominated by sugar refining.

significantly the predominance of agriculture in the total pattern. Thus, by 1976, the urban economies of Singapore and Hong Kong apart, roughly a third of GDP originated in the industrial sector in Indonesia, Malaysia, the Philippines and the Republic of Korea. Inclusion of the oil sector would place Iran in this group as well. The production structure of India, Pakistan, Sri Lanka and Thailand shows between a fifth and a quarter of GDP originating in the industrial sector. In some of the remaining economies, ranging from large and populous countries such as Bangladesh to Burma and Nepal, with shares of industrial production well below a fifth of total product, the industrial sector appears to have stagnated during the past decade or more (see table 6 above, for sectoral shares of output).

131. Structural change within the manufacturing sector has also been taking place in many of the developing economies in the region. This structural evolution is interrelated with and dependent upon the size of the manufacturing sector and the pace of industrialization, the resource endowment of the economy, the pattern of domestic demand and both the relative importance and the composition of export demand. Relationships between the internal structure of manufacturing and the share of manufacturing value added in GDP and their changes between the early 1960s and the early 1970s have

been assessed in a recent study of manufacturing in developing ESCAP economies.³⁰ The share of manufacturing value added in GDP is observed to have increased between the early 1960s and the early 1970s in virtually all the developing ESCAP economies for which comparable data are available (see table 17). Marked changes have also appeared in the relative importance of the several industry groups within manufacturing. The food, beverage and tobacco products group is typically large in economies where the manufacturing sector is relatively small; as the manufacturing sector has grown, this group of industries has most often declined in relative importance. Another manufacturing subgroup with products chiefly consisting of consumer goods, that of textiles and garments, commonly increased its share of total manufacturing value added; the most general reason has clearly been the marked increase in production for export, particularly of garments. With the rising tendency of the industrial economies to restrict their imports of clothing and footwear from less developed countries owing to increasing unemployment at home, the prospects for continued rapid growth of

³⁰ See "Review of progress of the Second United Nations Development Decade in the Asian and Pacific Region", *Economic Bulletin for Asia and the Pacific*, vol. XXVIII, No. 1/2, June/December 1977 (United Nations publication, Sales No. E.77.II.F.18), "Industry", especially section 5, pp. 29-34.

Table 17. Developing ESCAP economies: structure of manufacturing, 1960s and 1970s; contribution to total manufacturing value added by industry group

Country or area ^a	Year	Industry-group shares of total manufacturing value added (percentage)								
		Manufacturing share of GDP (percentage)	Food, beverage and tobacco products	Textiles, garments and leather products	Wood and paper products, and publishing	Non-metallic mineral and rubber products	Chemicals and petroleum products	Metals and metal products	Machinery and transport equipment	Miscellaneous manufactures
Sri Lanka ^b	1963	5.4	37.1	12.6	5.2	8.0	27.0	3.1	5.9	1.1
	1973	13.3	33.4	15.2	5.2	9.4	21.1	6.8	7.7	1.2
Bangladesh	1963/64	7.8	31.0	35.2	5.8	1.2	13.0	3.8	3.4	6.6
	1972/73	8.3	28.5	46.4	3.6	1.2	11.1	3.8	2.8	2.6
Indonesia	1960	8.4	45.4	13.9	7.9	9.3	8.9 ^c	1.9	10.8	1.9
	1973	8.8	52.3	21.8	5.6	3.3	4.2 ^c	3.4	8.7	0.7
Malaysia ^d	1963	9.2	21.2	1.5	13.9	9.6	14.8	9.2	6.7	23.1*
	1972	16.7	21.5	5.1	19.2	12.1	11.9	7.5	10.5	12.2*
Republic of Korea	1963	9.6	31.6	20.0	11.9	12.0	9.1	5.8	7.9	1.7
	1973	26.0	18.2	21.8	9.0	8.7	16.4	9.8	13.3	2.8
Thailand	1963	11.7	55.9	8.6	9.8	9.0	6.6	1.8	5.6	2.7
	1973	17.0	34.8	18.5	6.6	7.1	13.7	5.0	12.4	1.9
Singapore	1964	12.2	24.1	3.8	19.8	8.8	14.8	11.8	12.5	4.4
	1973	24.8	7.7	8.4	10.8	7.8	19.3	7.0	36.0	3.0
Pakistan ^e	1959/60	12.6	14.4	43.4	4.4	7.9	8.8	7.0	8.3	5.7
	1970/71	16.4	27.8	31.9	3.7	5.5	11.0	4.2	7.2	8.7
India	1960/61	13.7	16.9	32.4	7.9	8.2	6.7	9.0	12.5	6.4
	1972/73	15.1	13.7	23.8	11.5	4.3	11.1	15.1	13.7	6.8
Philippines	1962	18.1	38.9	9.2	10.2	8.0	16.9	5.9	10.0	0.9
	1974	17.4	37.5	9.9	10.0	7.6	19.2	8.4	6.9	0.5
Iran	1963/64	19.9 ^g	31.2	32.1	9.2	8.4	2.6 ^h	8.6	6.7	1.2
	1972/73	38.6 ^g	23.4	23.1	4.2	12.2	8.3 ^h	12.5	15.2	1.1
Hong Kong	1961/62 ⁱ	23.4	7.5	38.0	11.2	15.1 ^j	—	9.1	13.2	5.9
	1973	27.7	4.6	48.2	7.5	10.7	1.6	8.4	14.2	4.8

Sources: United Nations, *Yearbook of National Accounts Statistics, 1974*; *Growth of World Industry, 1953-1965*; *Yearbook of Industrial Statistics 1974*; and national sources.

Notes: ^a Ranked in ascending order of manufacturing shares of GDP in the 1960s.

^b Industry group shares of gross value of manufacturing output at market prices.

^c Excludes petroleum refining.

^d Peninsular Malaysia only.

^e Includes processing of primary products off plantations.

^f Present-day Pakistan; 1959/60 excludes East Wing.

^g Includes mining and quarrying; excludes petroleum sector.

^h Excludes petroleum refining.

ⁱ Unofficial estimates: see *Far Eastern Economic Review* (Hong Kong) 26 May 1966.

^j Non-metallic mineral products, chemicals and chemical products.

these industries have become considerably less favourable than they were in the early 1970s. Industry groups producing intermediate products for domestic or foreign markets show quite varied tendencies: where exports are important — such as wood products (plywood), mineral products (cement), plastic products and chemical products (fertilizers) — there has been a tendency for growth to be rapid and external demand has often overshadowed the growth of domestic demand, at least until the mid-1970s recession.

132. Growth in the industry groups usually included in heavy industry — metal products, machinery and transport equipment — has been associated in industrial countries with the growth of the manufacturing sector as a whole. Judging from the information in table 17, a similar association

appears among the developing ESCAP economies over the past decade or more. Often the increase in the share of these engineering industries has been large, in part because the share in the initial year was small. Comprising chiefly producer goods and consumer durables (such as automobiles), these industries have been augmented, especially during the 1970s, by the rapid growth of electrical and electronic equipment, both for domestic markets and for export. An important part of the recorded growth of the so-called heavy industries in several developing economies in the region during the 1970s can be attributed to the expansion of electronic components assembly and the assembly of motor vehicles. In sharp contrast to the characteristic interdependence of engineering goods industries with other industry groups, these new industries are distinguished by the lack of such

linkages. Hence, the anomaly of an obsolescent classification system has given rise to an impressive increase in so-called heavy industry which in fact is often ephemeral.³¹

(c) Manufactures exports

133. The export of manufactured goods has received increasing emphasis in recent years and for many of the developing economies in the ESCAP region the expansion of manufacturers exports has provided a welcome fillip to total export earnings.³² The upsurge of merchandise exports during the commodities boom of 1972-1974 was important for several countries, and among these, the countries in southeast Asia were predominant. During the same upswing, the exports of manufactured goods responded at rapid rates in a number of countries as well. Allowing for the scale effect arising from the small component of manufactures in total exports in several instances, rapid expansion of manufactures exports from Malaysia, the Philippines, Singapore and Thailand brought about a marked increase in the share of manufactures in total merchandise exports from these countries.

134. In countries where the contribution of manufacturing to GDP is large and an important part of manufacturing output is exported, the expansion of manufactures exports has undoubtedly made a substantial contribution to the growth of GDP. Thus, the expansion of manufactures exports must have accounted for a major part of the growth of manufacturing output in Hong Kong, the Republic of Korea and Singapore during the 1970s and the contribution of manufactures exports to GDP growth was important in these economies as well. Of a considerably smaller relative magnitude, manufactures exports from Malaysia and Pakistan appear to have been fairly important for their contribution to total manufacturing growth. However, lacking properly specified series permitting a direct comparison of the relevant magnitudes, such inferences fail to provide a clear indication of the importance of manufactures exports to the growth of total output.

135. Although the data assembled in table 18 provide an indication of the comparative rates of expansion of manufacturing output and manufactures exports, they do not indicate the share of manufacturing output which is exported. Among the countries in table 18, the variation in the share of manufactured products which go to export markets is understandably wide, given the considerable differences in the pattern of manufacturing production and product-mix among them.³³ Moreover, there is a wide range of variation in export-market orientation among industry groups within

Table 18. Selected developing ESCAP economies: rates of growth of manufacturing output and manufactures exports, 1970-1977

Country or area ^a	Manufacturing		Manufactures exports ^b
	Value added ^c	Output ^c	
Republic of Korea .	18.9	23.8	32.8
Malaysia (Peninsular)	12.2 ^d	11.3	21.6
Thailand	11.9	...	22.8
Singapore	10.1	11.3	28.3
Hong Kong	8.5 ^e	...	7.6
Philippines	6.9	5.9	23.7
India	4.4 ^e	4.6	10.4 ^e
Pakistan	1.7	2.7	12.4

Sources: National publications.

Notes: ^a Listed in descending order of growth rates in manufacturing value added.

^b At constant prices.

^c Production indexes.

^d Value added for all Malaysia.

^e 1970-1976 average.

the manufacturing sector in any country. Despite these qualifications, the comparative growth rates in table 18 suggest important influences of manufacturing export growth in the development of manufacturing sectors in virtually all the countries listed. Inferences relating to the importance of manufactures export expansion for GDP growth cannot be made from the information given in table 18, but require reference to the shares of merchandise exports in gross product shown in table 6. While manufactures export expansion provided a major growth stimulus for the economy of the Republic of Korea in the 1970s, as was also the case in Singapore, growth in gross product in Hong Kong (where manufactures account for virtually all domestic exports) may well have been retarded during at least the first half of the decade by sluggish export performance. Although manufactures exports expanded very rapidly in the Philippines, Thailand and Peninsular Malaysia and by mid-decade had begun to account for appreciable shares of total export values, the small proportions

³¹ This section draws heavily upon the article cited earlier (foot-note 30, above), where statistical evidence has been presented to support these observations. See *Economic Bulletin for Asia and the Pacific*, vol. XXVIII, No. 1/2, loc. cit.

³² For merchandise exports as a share of GDP, see table 6, section B above.

³³ Export shares of gross output from manufacturing obtained from input-output tables, though these are available for different years, are indicative of the wide range of variation among countries: for example, Singapore (1973), 65 per cent; Philippines (1974), 39 per cent; Republic of Korea (1975), 24 per cent; Peninsular Malaysia (1970), 17 per cent (excluding processed primary products, chiefly tin ingot and natural rubber); and India (1973/74), 7 per cent. Sources: Official interindustry transactions tables, except the Philippines: National Census and Statistics Office, table XVII.7, in NEDA, *Philippines Yearbook*, 1977 (Manila, 1977).

and low values in the base year (1970) yield exceptionally high rates of growth (table 18). The stimulative effects on particular branches of manufacturing industry have been great in many instances, particularly where new activities have been established primarily for export production. But many of these new industrial activities have few if any linkages with other domestic production and thus the impetus to growth in the rest of the manufacturing sector has often been negligible.

136. India and Pakistan differ importantly from the other manufactures exporters in several respects. In the first place, merchandise exports are far less important as a proportion of gross product than is the case for the other countries in table 18. Although the proportion for Pakistan is greater than that for India, exports from neither country bulk large in GDP; however, the share has generally increased for both countries during the 1970s. Further, manufactures exports have accounted for roughly half of total export values in both countries for most years in the 1970s. Textile products predominate heavily in the manufactures exports of Pakistan and the proportion of total textile output exported is also large. Consequently, the expansion of overseas sales of cotton yarn, fabrics and garments is especially important for the fortunes of the industry. Shortages in the supply of raw cotton have been the main reason for the decline in the volume of textile exports since the peak year of 1972/73, while a decline in export prices for cotton textiles reduced export earnings at mid-decade.

137. Exports of the products of Indian manufacturing industry have accounted for somewhat less than half of total merchandise export values during the 1970s. Although none of the major branches of industry depends heavily on export markets, the expansion of export demand for iron and steel products and engineering goods from 1974 onwards stimulated the expansion of production in those branches of industry. Iran and the oil-producing countries of the Middle East have become important markets for these products as well as for Indian cotton fabrics and garments. Important though this expansion has been for the manufacturing sector and for total export earnings, the small share of exports in GDP clearly limits the influence of export expansion on over-all economic growth.

(d) Policy perspectives

138. Encouraged by the progress in manufacturing growth during the 1960s, many developing countries in the region placed considerable emphasis on the acceleration of industrial development in their plans for the early 1970s. Many of these plans were overtaken, however, by the turbulence in the inter-

national economy, particularly in the middle years of the 1970s.³⁴ In several countries of the region the crises further exacerbated prevailing social and political strains, and efforts to remove sources of tension have not often been conducive to the unwavering pursuit of the goals of industrialization. The record of industrial growth in the region during the 1970s bears in varying degrees the traces of both international and domestic crises. Viewed in retrospect with a focus on industrial development in the region, it appears, nevertheless, that many countries have withstood rather well the vicissitudes of the period despite serious short-term set-backs.

139. A fair number of developing countries in the region have planned growth targets for manufacturing industry which exceed the rate indicated in the International Development Strategy for all developing countries. Even development plans that have been formulated against the background of the mid-1970 crises have set ambitious targets exceeding the 8 per cent guideline. In contrast, among the major countries listed in table 19, India had earlier aimed at the 8 per cent target but has lowered the target rate to 6.8 per cent in the draft five-year plan for 1978-1983, reflecting the Indian planners' concern for realism against the background of slow industrial and over-all growth for more than a decade during which plan targets had generally not been attained.

140. Continued emphasis on industrialization remains a key element of economic plans and policy in most countries of the region. In recent years, however, policies have sought to accommodate hitherto neglected needs and at the same time to consolidate and expand on the basis of past achievements. While these needs are differently perceived in different countries, depending on past experience and prevailing socio-economic perspectives, a number of problem areas have been common to many economies. The creation of expanded employment opportunities in industry is perhaps outstanding among these common problems. Employment creation by past industrialization has been rather limited owing largely to the establishment of capital-intensive industries which have been unable to absorb an adequate proportion of the rapidly expanding labour force.³⁵ Spatially, industrial development in the past has been heavily concentrated in metropolitan areas. Inadequate employment opportunities for the growing labour force in the rural areas have intensified rural poverty and

³⁴ These developments in the international economy and their impacts on the developing economies of the region have been analysed in *Economic and Social Survey of Asia and the Pacific, 1977* (United Nations publication, Sales No. E.78.II.F.1), part two.

³⁵ See section III.A.3 below.

Table 19. Selected developing ESCAP countries:
planned growth rates for manufacturing, 1970s

	Plan targets: manufacturing			
	Previous plan	Growth rate ^a	Current plan	Growth rate ^a
<i>South Asia</i>				
India	1969-1974	7.7	1974-1979	8.0
Pakistan ^b	1970-1975	10.2 ^c	1978-1983	10.0
Sri Lanka	1972-1976	10.0	...	...
<i>Southeast and east Asia and the Pacific</i>				
Fiji	1971-1975	4.5	1976-1980	7.7
Malaysia	1971-1975	11.7 ^d	1976-1980	12.0
Philippines	1974-1977	10.0	1978-1982	9.0
Republic of Korea	1972-1976	14.8	1977-1981	14.2
Thailand	1972-1976	8.0	1977-1981	9.6
<i>Petroleum exporters</i>				
Indonesia	1969-1973	13.9 ^e	1974-1978	13.0
Iran	1968-1972	13.0	1973-1976	18.0

Sources: National development plans and other national publications.

Notes: ^a Value added at constant prices; percentage change per annum.

^b Years ending in June.

^c Includes the former east wing, now Bangladesh.

^d Peninsular Malaysia.

^e Major subsectors only.

encouraged rural-urban migration, giving rise in turn to problems of urban unemployment and underemployment.

141. In response to these needs several countries in the region have initiated policies for the adoption of industrial technologies that will create more employment per unit of investment. The role of small-scale and cottage industries has been emphasized, coupled with increased efforts to raise levels of labour productivity in the small-scale sector. Thus in India, "an important policy change that will be made is in the area of choosing technologies which further contribute to raising employment without adding significantly to costs of production. One of the instruments for achieving this is the reservation of industries for the cottage and small-scale sector".³⁶ A nearly threefold increase in investment in cottage, village and small industries is anticipated during the planning period in the expectation that this will increase significantly both employment and output in this sector. In addition, technological options are being studied in eight industry groups to determine suitable techniques for these purposes. In the Republic of Korea, policies are being instituted to promote the introduction and adaptation of foreign technologies and to encourage investment in research and development by private enterprise. Steps are being taken to promote small- and medium-scale enterprises and to improve their economic viability.³⁷ In Thailand, the Government plans to encourage the development of small-scale industries capable of employment generation,

"through the provision of credits, risk guarantees, the provision of investment opportunity and provision of technological and marketing services".³⁸ Employment creation has been cited as a basic aim of Philippine industrial strategy and the establishment of cottage, small- and medium-scale industries outside Metropolitan Manila has been stipulated as a strategic requirement.³⁹ The Third Malaysia Plan also emphasizes the creation of employment and the development of small-scale industries in furthering the policy objectives of poverty eradication and restructuring society within an expanding economy.⁴⁰

142. The decentralization of industrial activity is a common element in the industrial policies of India, Malaysia, Pakistan, the Philippines, the Republic of Korea and Thailand. The reduction of congestion and the rising costs of production and living in metropolitan areas is one facet of this emphasis; the location of industrial activities in rural areas to create employment opportunities serves the same purpose and in addition is intended to raise incomes in less developed regions. Provision of tax and

³⁶ Government of India, *Draft Five-Year Plan, 1978-83* (New Delhi, Planning Commission, 1978), p. 186.

³⁷ Government of the Republic of Korea, *Fourth Five-year Economic Development Plan, 1977-1981* (Seoul, 1976), p. 42.

³⁸ Government of Thailand, National Economic and Social Development Board, *Fourth Five-year National Economic and Social Development Plan, 1977-1981* (Bangkok, 1977), p. 194.

³⁹ Government of the Philippines, *Five-year Philippine Development Plan, 1978-1982* (Manila, 1977), pp. 125-126.

⁴⁰ Government of Malaysia, *Third Malaysia Plan, 1976-1980* (Kuala Lumpur, 1976), p. 317.

credit incentives and infrastructural facilities for private enterprise is the common approach to encouraging such decentralization. Governments in both the Philippines and Malaysia are participating directly in the establishment of key industries and infrastructure in suitable areas throughout the country which are intended to function as growth poles for continued development. Control of environmental deterioration has been one of the elements of this decentralization strategy; conservation of national resources and minimization of ecological damage have therefore been emphasized.

143. An important aim of recent industrial policy declarations has been the consolidation of past achievements and the rationalization of the industrial structure. Improvement of operating efficiency, through better management practices, provision of common services and supplies and more rational pricing policies, is aimed at obtaining improved returns from existing investments; this emphasis refers especially to public sector enterprises in several countries. The Indian Planning Commission has expressed satisfaction at the recent improvements in the efficiency of the central public sector, which accounted for nearly a third of total output of industry and mining in the organized sector in 1975/76. Liberalization of restrictive pricing policies administered by the Government, which were found to have affected the profitability of public enterprises in the recent past, has been recommended and emphasis has been placed on further improvement in project implementation, capacity utilization, cost reduction, inventory control and technological progress. The Planning Commission has also recommended "extensive inputs of professional management" for the public sector corporations of the state governments in India.⁴¹

144. In the fifth five-year plan of Pakistan, the organization and efficiency of the public sector, in view of its large size, is considered to be of crucial significance. Measures are recommended to ensure improved project implementation, production efficiency and the generation of financial resources within the public sector.⁴² Management inefficiency and consequent poor economic performance, particularly in the public sector, has been identified as a factor responsible for Sri Lanka's relatively poor industrial performance record in recent years. Policies and measures since the change of Government in July 1977 have been initiated to ensure greater efficiency.⁴³ Improvement in the efficiency and competitiveness of enterprises, both private and public, has been similarly emphasized in Malaysia, the Philippines, the Republic of Korea and Thailand, although the direct role of the public sector in manufacturing is less extensive in these countries.

145. Several countries including those with industrial sectors as widely different as those of India and Thailand, have identified some of the undesirable effects of earlier industrialization based on import substitution behind high protective tariffs and import restrictions through licensing measures. A clear statement of this is found in the fourth national economic and social development plan of Thailand:

"In promoting import substitution, the Government accorded high priority to consumer goods vis-à-vis primary goods, intermediate goods and capital goods with high import content. The Government provided a high level of protection for these industries by increasing tariffs on imported finished products and reducing import duties on raw materials. This distorted national resource allocation pattern was unfair to consumers since they had to purchase products at prices which were artificially inflated. In addition, this distortion inhibits competition which adversely affects both production efficiency and the stability of long-term industrial structure since the present high rates of protection encourage investors to invest in projects with quick returns on investments".⁴⁴

146. Thailand plans to develop export processing zones at its seaports and commercial airports as part of an export promotion programme. The new thrust of policy in Pakistan and Sri Lanka also includes export promotion through appropriate incentive measures, including the establishment of free-trade industrial processing zones. Export promotion continues to be emphasized by Malaysia, the Philippines and the Republic of Korea, all of which have had considerable success in promoting industrialization through exports. For India, the emphasis understandably differs; as a recent official statement puts it: "though in a continental economy like India's export-led growth may be out of the question, the important role which exports can play in sustaining production and investment needs to be emphasized".⁴⁵

⁴¹ Government of India, *Draft Five-Year Plan, 1978-83* (New Delhi, Planning Commission, 1978), p. 187.

⁴² Government of Pakistan, *Fifth Five-year Plan (1978-1983)* (Islamabad, 1978), pp. 92-94.

⁴³ Government of Sri Lanka, Minister of Finance and Planning, *Budget Speeches*, November 1977 and 1978. *passim*.

⁴⁴ Government of Thailand, *Fourth Five-year National Economic and Social Development Plan, 1977-1981*, p. 195.

⁴⁵ See Government of India, *Budget 1978/79*, Finance Minister's Speech, February 1978.

147. Together with export promotion, Thailand seeks to promote further import substitution, especially in intermediate and capital goods industries and in industries which utilize domestic raw materials as important inputs. Like Thailand, the Philippines also intends to support "second-stage import substitution", seeking to replace imports of intermediate goods by domestic production. Under markedly different resource and market conditions, India's comprehensive industrial capabilities have been developed to the point where, except for certain industrial raw materials and complicated machinery, there are very few areas in which imports are necessary to sustain the growth of the economy.⁴⁶ Much of this development has taken place under the auspices of strict import control policies through direct licensing. With a view to introducing a degree of competition as a spur to improving quality and reducing costs of domestic industrial products, the Planning Commission has proposed to liberalize imports in certain well-defined areas where such competition is expected to be effective. The policy recommendation goes so far as to suggest that industries that are not basically viable or cannot stand up to limited international competition in product areas which the liberalized import policy will specify may be allowed to close down.

148. These objectives of industrial employment generation, spatial dispersion of industry, structural rationalization, export promotion and environmental protection are being sought within the framework of continued industrial expansion, relying chiefly in most of the region's developing economies on private sector investment, ownership and management. In generating industrial growth, most governments have traditionally played promotional roles by offering various incentives to private enterprise through tax and credit concessions and by providing services and infrastructural facilities. In many countries these policies remain basically unchanged but are being adapted and extended to fit the objectives elaborated above. In several countries, continued predominance in industry of the private sector notwithstanding, the expansion of industrial capacity and the new or renewed commitment to social goals in production and employment creation have almost inevitably dictated an increasing role for government, not only in planning and promotion but also in the operation of productive capacity. The tendencies are diverse throughout the developing ESCAP region. Pakistan and Sri Lanka, with their already large public sectors, have announced policies of consolidation rather than further expansion of public enterprise in industry. Moreover, several incentive measures have been announced to encourage investment in consonance with the expanded role envisaged for the private

sector. The new Indian plan relies upon the dominant role of the public sector and accepts its pace-setting function. Even in capital-intensive industry in which private domestic and foreign companies are permitted to enter, preference will be given to medium-scale establishments and public sector corporations so that further concentration of private economic power may be held in check.

C. INFLATION, MONETARY AND FISCAL DEVELOPMENTS

Introduction

149. Perhaps the most ubiquitous, probably the most pervasive and certainly the most visible characteristic of economic developments during the current decade is found in the well-nigh universal market phenomenon of inflation. Wide-spread price increases in both externally traded and domestically produced and consumed goods and services, rapid and for a time accelerating, stand in sharp contrast to the experience of the preceding decade. Granted that some countries in the region experienced rapid and persistent inflationary price movements during the 1960s; granted also that prices of some internationally traded goods — manufactures, in particular — had begun to accelerate during the latter half of the 1960s, it is only in the 1970s that inflationary price movements have become general among the market economies, both developed and developing, and almost without exception, across a broad array of goods and services.

150. Linked in varying degrees of interdependence with the world market economy, the developing countries of the ESCAP region have not escaped the inflationary virus. The incidence of the international inflation has not been uniform among the developing economies of this region, nor have the springs of inflationary pressure been exclusively external. With few exceptions, however, the broadly cyclical pattern of international price movements has been reflected in some discernible degree in price developments in individual ESCAP economies. It is fairly apparent that the timing and magnitude of developments in prices and production in the large industrial economies which dominate the international trade of the market economies have been instrumental in the genesis of international inflation and its transmission through trade and financial transactions to the dependent economies of the developing world. Consequent upon the economic upswing and the development of domestic inflationary forces in the advanced economies towards the end of the 1960s and early 1970s, there followed the sequence of events which

⁴⁶ Government of India, *Draft Five-Year Plan, 1978-83*, p. 184.

evolved as the international economic crises of the present decade. The timing of the international crises reflects the coincidence of the collapse of the international monetary system, the world-wide shortfall in foodgrains, the rapid emergence of the primary commodities boom (and its equally abrupt collapse) and the interjection of the OPEC decision to raise precipitously the price of petroleum. Coming at a point in time when the commodities boom was nearing its peak, the oil price increase contributed to the reversal of the cyclical upswing. Inflationary pressures slackened as the prices of cereals and other primary commodities fell, though prices of most internationally traded goods did not generally fall. From the latter part of 1975, recovery in the developed market economies has been hesitant and generally moderate and accompanied by recurrent bouts of inflation. While price rises have abated at least temporarily in most of the developing economies of the region in one or more years since 1975, there has been no general decline in world prices. Though world export prices of cereals continued to decline until 1977, they had begun to rise again in 1978. Primary products prices have continued to rise in world markets and, together with the resurgence of manufactures export prices have continued to push up the prices of total world exports.

151. The inflation in the international market economy, however pervasive its influences in the developing world, has not been the only source of inflationary pressure in many of the developing ESCAP economies. Particularly among the regional economies which are least dependent upon international trade, the performance of the agricultural sector has been a major source of domestic inflationary impulses. In the more heavily export-oriented economies of the region, pressure of excess demand upon production capacity has generated domestic inflationary impulses, although generally during the 1970s this has been more or less directly a consequence of the export boom. While the generation of excess demand through monetary and fiscal expansion does not appear to have functioned as a major independent cause of inflation during the current decade, some elements of monetary and fiscal expansion have undoubtedly played a supporting role in the inflationary process.

152. Despite the generality of the inflationary experience among the developing economies of this region during the current decade, there has been considerable diversity among countries in the rate and pattern, as well as the causes and consequences of inflation. There has also been, in part as a consequence of these differences but more fundamentally for reasons of economic structure and

degree of interdependence with the world economy, considerable variation in the policy response to inflation and its concomitants. Though it is not possible to survey here in great detail the entire range of policies or assess their effectiveness, at least some impression of broad patterns of policy response can be attempted. Coupled with increasing external demand for primary products and manufactures exports during the early 1970s, inflationary pressure posed awkward choices for monetary policy. Moreover, the commitment to sustained economic growth placed severe limits on the role of fiscal measures in the control of inflation. The impact of inflation on levels of economic activities, on saving and investment and upon income distribution, while their precise incidence and magnitude are difficult to quantify, have doubtless been significant in many, perhaps most, developing countries in the region. Problems of policy dictated by these developments have assumed a new dimension in many countries during the current decade and have enhanced the importance of short- and medium-term management of the national economy. In view of the inability — or unwillingness — of the advanced economies to regulate their economic affairs, the outlook for the developing world, and not least for developing economies of the ESCAP region, remains one of uncertainty. While inflationary phenomena constitute only a part of the instability syndrome, they remain an important clinical symptom of economic ill health. Thus they provide both an indicator of importance for analysis and a focus for policy. In addition, both the magnitude of price changes and the pattern of differential price variations have substantial consequences in the allocation of resources and the distribution of real incomes.

1. Patterns of price variation

153. The contrast between price movements in the 1970s and in the 1960s, while generally tenable, does not entirely do justice to reality. Patterns of price changes in several countries during the 1960s give some intimation of differences in sources of inflation, particularly as they reflect domestically-generated impulses to price increases. Poor harvests in successive years in the mid-1960s gave rise to marked price increases in India from 1964 to 1967 when consumer prices rose at double-digit rates (table 20).⁴⁷ Much less marked price increases in Pakistan trace a similar profile for the 1964-1967 period, apparently for the same reasons, though

⁴⁷ The periods used for the data in table 20 reflect a compromise in the attempt to display similarities and contrasts among countries; it might have been useful to subdivide the period 1961-1967, although variations among countries were quite diverse in these years.

Table 20. Developing ESCAP economies:
consumer price changes, selected sub-periods,^a 1960s and 1970s
(average annual percentage change)

Country or area ^b	1961– 1970	1971– 1977	1961– 1967	1968– 1972	1973– 1974	1975– 1977
<i>West and south Asia^c</i>	3.8	10.5	5.6	4.1	18.0	7.6
Iran	1.7	12.3	1.6	3.3	12.1	17.1
Afghanistan	12.1 ^d	4.9	18.1 ^d	1.9	0.6	6.7
Pakistan	3.6	14.0	3.9	4.5	24.9	12.7
India	6.4	8.8	7.9	3.6	22.8	2.0
Nepal	6.4 ^e	7.1	6.7 ^e	4.9	13.2	6.5
Sri Lanka	3.0	5.7	1.5	5.6	11.0	3.1
Bangladesh	4.0 ^f	23.7	...	10.4	49.8	8.4
Burma	3.3	16.3	5.6	0.8	25.2	17.6
<i>Southeast and east Asia and the Pacific^c</i>	2.8	9.4	2.2	5.0	16.9	6.6
Thailand	2.1	8.4	2.2	2.2	17.5	5.8
Malaysia (Peninsular)	0.9	6.3	1.2	1.0	14.0	3.9
Singapore	1.1	6.8	1.5	1.0	20.0	1.3
Hong Kong	2.7	8.4	1.9	4.6	16.3	5.7
Indonesia	208.7	18.9	277.6 ^g	10.2 ^h	35.9	16.6
Philippines	5.3	13.5	5.0	8.7	23.8	7.4
Republic of Korea	14.0	14.8	14.3	12.9	13.7	16.9
Fiji	2.8	10.4	2.3	5.4	12.8	10.5

Sources: United Nations, *Monthly Bulletin of Statistics*, various issues and International Monetary Fund, *International Financial Statistics*, May and August 1978.

Notes: ^a Selected to reflect general patterns; variation due to availability of data except for Indonesia, for which 1968 is substituted for 1967 to reflect the timing of price stabilization.

^b Approximately west-to-east order; Hong Kong follows Singapore to facilitate comparison. Data for capital cities except Fiji, Iran, India, Malaysia, Pakistan (since 1972) and Republic of Korea.

^c Figures for groups are median values.

^d Period begins 1963.

^e Period begins 1965.

^f Period begins 1967.

^g Period ends 1968.

^h Period begins 1969.

this pattern is not reflected in the table. Subject to similar weather conditions, Afghanistan experienced extreme price rises in poor crop years in the mid-1960s. Available data for Nepal from 1965 suggest a similar pattern there.

154. Elsewhere in the region, with but two major exceptions, Indonesia and the Republic of Korea, consumer price profiles were consistently low. In most countries, however, relatively minor instances of accelerated price increase occurred, notably in the prices of foods, in 1963 and 1964 and again in 1967 as domestic supplies fell short and food import prices rose. The extreme rates of price inflation suffered by the Indonesian consumer during the greater part of the 1960s were brought under control only at the end of the decade; the domestic economic and political situation which gave rise to this inflationary upsurge is not of immediate concern here. Stabilization measures launched by the new Government had proved effective by 1968/69 and Indonesia enjoyed relative price stability until 1972/73. Rates of price inflation at double-digit levels characterized the economy of the Republic of Korea throughout the 1960s, largely as a con-

sequence of sustained and ambitious development efforts which generated continuous pressure on resources.

155. International prices had begun to rise towards the end of the 1960s, affecting the cost of manufactures imports in particular, but it was the coincidence of the world-wide increase in the prices of cereals beginning in 1972, the sharp increase in raw materials prices during the commodities export boom, and the accelerated rise in the prices of manufactures imports which generated the inflationary upsurge of 1972-1974 throughout the developing ESCAP region (see table 21). Petroleum prices had risen considerably by 1973 (approximately 80 per cent from 1970 to 1973) prior to the 250 per cent increase of 1973-1974.⁴⁸ As noted earlier, in several countries domestic prices had begun to rise early in the decade chiefly in response to poor harvests and the consequent rise in food prices, often in conjunction with other domestic sources of inflationary pressure. Such

⁴⁸ Based on annual figures for the export price of Saudi Arabian crude. United Nations, *Monthly Bulletin of Statistics*, December 1978, table 60, item 164.

Table 21. Changes in prices of exports to developing areas, 1960-1976^a
(percentage change per year)

Period	SITC section						
	Total ^b (0-9)	Food etc. (0 and 1)	Raw materials (excl. fuels) (2 and 4)	Fuels etc. (3)	Chemicals (5)	Machinery (7)	Other manufac- tures (6 and 8)
1960-1966 ^c	0.7	1.1	-0.5	-1.0	-1.1	1.5	0.9
1966-1970	1.0	0.8	-0.7	0.5	-1.2	1.8	1.3
1970-1973	13.5	16.5	10.3	21.4	11.6	13.7	10.5
1973-1974 ^d	41.1	39.9	43.3	195.0	54.0	12.9	30.4
1974-1975	8.3	0.5	—	7.2	2.3	20.5	8.5
1975-1976	2.2	3.2	3.1	6.9	-9.6	7.0	-1.6

Source: United Nations, *Monthly Bulletin of Statistics*, June 1978, special table G.

Notes: ^a Calculated from unit-value indexes, 1970=100, based on \$US values. Exports to developing areas from developed and developing areas.

^b Totals include SITC section 9, miscellaneous transactions, not shown separately in the table. At current prices SITC 9 accounts for about 2 to 4 per cent of total value.

^c Periods of more than one year: compound annual rates.

^d Annual changes: percentage change from preceding year.

domestically engendered pressures contributed to the inflationary pattern in the Philippines in 1970 and 1971, in Afghanistan in the same years and in the years following 1971 elsewhere in south Asia.

156. The combined impact of price increases engendered by the food crisis, the commodities export boom and the petroleum price rise converged in the general inflationary upsurge of 1972-1974. Despite varying contributions of inflationary impulses from essentially domestic sources and some variation in the timing of price rises, the inflation of 1972-1974 stands out as a common experience among the developing economies of the region; this coincidence in the sequence of price rises is clearly reflected in table 20, with Afghanistan as the sole exception.⁴⁹ In the sequel, the recession of 1975 (which quarterly data indicate commenced about the middle of 1974), the inflationary pattern becomes much less general. Though international export prices of primary commodities actually declined in 1974/75, prices in general did not, nor did the consumer prices in most countries in the region. The pace of the inflation slackened markedly, however, and some countries experienced falling consumer prices in 1976 or 1977.⁵⁰ The slackening of the rate of inflation in consumer prices has followed a common pattern chiefly in that an appreciable decrease has occurred in nearly all countries for which data are available. Yet this respite has been short-lived in most countries (see table 22). The lowest rate of inflation (or the occurrence of a decline in prices) appears for most in 1976 and the next year for the rest (except Thailand, where the low ebb came in 1975). Prices were on the rise — or re-accelerating — again the next year for all but a few: Burma, Sri Lanka,

Indonesia (where the rate was still as high as 10 per cent for 1977/78), Fiji and Papua New Guinea.⁵¹ The pattern in 1978 is still unclear but there is little evidence of a general subsidence of inflation.⁵²

157. The annual rates of change in consumer prices presented in table 22 permit a comparison of the behaviour of the all-items index and the index for food prices. Foods carry a weight in these indexes which varies from about two fifths to three fifths of the total weight. Hence, while the imputation of causal significance to every change in the food index which exceeds that of the aggregate index could be misleading, appreciable differences certainly suggest causality. The implication is that, because of their importance in the indexes, rapidly rising food prices explain a large part of the change in the total index. Inspection of the two series shows that the rate of increase in food prices appreciably exceeded that of the general index during 1972 and 1973 or 1973 and 1974 in almost all countries listed and in several

⁴⁹ Despite some similarity in Afghanistan's price developments and those of neighbouring countries in the mid-1960s, the pattern thereafter is quite unlike that of the others, presumably due to the relative insulation of the economy from international price movements. Arrangements with the USSR for the importation of petroleum products and the export of natural gas from Afghanistan further insulated the economy from the OPEC price increase.

⁵⁰ Consumer price indexes show price declines in Bangladesh, India, Nepal and Singapore in 1976 and virtually unchanged prices in Afghanistan; in Burma consumer prices recorded a decline in 1977.

⁵¹ In the order the countries appear in table 22.

⁵² Wholesale price indexes which cover at least five years to 1977 are available for fewer than half the countries listed in table 22. The patterns of change in these indexes are broadly similar to those in consumer prices and all but two (Indonesia and Singapore) have recorded a renewed rise in prices since 1976.

Table 22. Selected developing ESCAP economies:
annual percentage changes in consumer price indexes, 1971-1977 and 1978 (first half)
(percentage changes)

Country or area	1971	1972	1973	1974	1975	1976	1977	1978 (1st half) ^a
<i>West and south Asia</i>								
Afghanistan ^b								
All items	25.6	-12.5	-10.2	11.4	10.0	0.5	9.5	...
Bangladesh ^b								
All items	12.4	28.6	45.1	54.4	24.4	-9.0	10.4	14.9 ^c
Food	10.1	34.1	47.3	68.6	20.8	-19.5	10.1	17.6 ^c
Burma ^b								
All items	2.2	7.5	23.6	27.0	31.6	25.8	-3.8	-4.6 ^c
Food	2.4	12.1	30.7	24.9	35.8	17.8	-3.0	-5.6 ^c
India								
All items	3.3	6.3	16.8	28.8	5.6	-7.8	8.4	5.9
Food	1.5	6.4	21.3	30.5	4.4	-12.6	7.9	6.1
Iran								
All items	4.2	6.4	9.9	14.2	12.8	11.3	27.2	20.6
Food	6.6	8.7	6.9	15.8	12.2	6.9	18.8	20.6
Nepal ^b								
All items	...	6.2	8.6	17.7	12.9	-2.0	8.5	10.2
Food	...	9.9	11.7	18.1	13.0	-7.3	12.8	16.1
Pakistan								
All items	4.7	5.2	20.6	29.2	20.9	7.2	10.1	6.9
Food	5.2	4.5	25.7	30.2	22.2	6.0	11.3	6.0
Sri Lanka ^b								
All items	2.7	6.3	9.6	12.3	6.8	1.2	1.2	4.9
Food	1.9	6.0	12.7	14.1	7.7	-1.1	0.6	6.7
<i>Southeast Asia</i>								
Indonesia ^b								
All items	4.3	6.5	31.1	40.7	19.0	19.9	11.0	10.0
Food	2.6	10.3	43.5	41.3	20.5	22.1	10.6	10.2
Malaysia (Peninsular)								
All items	1.6	3.1	10.6	17.3	4.6	2.6	4.7	5.0
Food	2.0	3.0	15.3	26.6	3.3	2.1	5.5	5.5
Philippines ^b								
All items	15.1	10.0	14.0	33.5	8.1	6.2	7.9	7.9
Food	20.3	12.6	14.0	37.4	6.4	6.1	7.5	7.2
Singapore								
All items	1.9	2.1	23.0	22.3	2.6	-1.9	3.2	5.3
Food	2.5	2.7	35.5	25.6	1.1	-6.1	4.9	8.0
Thailand ^b								
All items	2.0	4.0	11.7	23.3	4.1	4.9	8.4	9.5
Food	0.6	6.5	14.4	28.5	4.1	5.5	11.5	11.8
<i>East Asia</i>								
Hong Kong								
All items	3.1	6.1	18.0	14.6	8.0	3.7	5.4	4.9
Food	3.4	7.4	24.2	16.0	4.0	2.9	6.5	5.2
Republic of Korea								
All items	13.4	11.7	3.2	24.2	25.4	15.3	10.2	11.6
Food	11.8	13.4	2.5	27.7	31.9	17.8	11.6	13.5
<i>Pacific</i>								
Fiji								
All items	6.5	9.1	11.2	14.5	13.0	11.4	7.0	7.1
Food	9.1	11.6	20.2	15.6	12.3	3.2	7.5	8.9
Papua New Guinea								
All items	—	6.1	8.3	23.2	10.4	7.7	4.5	4.9
Food	—	6.8	9.9	32.8	7.2	4.1	4.2	4.9

Sources: United Nations, *Monthly Bulletin of Statistics*, August 1977, February and December 1978.

Notes: ^a Comparison of 12-month averages for periods ending June 1978 and June 1977.

^b Indexes for capital city only.

^c Comparison of 12-month averages for periods ending April 1978 and April 1977.

this pattern appeared in 1971 as well. Moreover, the markedly smaller rise (and in some instances the decline) in food prices in 1975 or 1976 contributed importantly to the explanation of slackening rates of consumer price inflation in those years. The importance of food price increases as a major stimulus to the inflation in consumer prices and to its subsidence, though not proved by such evidence, is certainly strongly supported by inference from it. To go further than the identification of causal symptoms requires discussion of the process of the inflation process.

2. Sources of inflation

158. The experience of inflationary processes during the current decade in the developing economies of the ESCAP region suggests that the sources of inflationary impulses may be both domestic and international. In the circumstances of an international inflationary movement, there are few economies that are completely insulated from inflationary influences. Clearly, the more self-contained an economy and hence the less dependent upon external trade to bridge the gap between the structure of production and the pattern of utilization of goods and services, the less susceptible the economy is likely to be to external sources of price increases. The correlate to this circumstance is that the largely self-contained economy is the more likely to generate domestic impulses to inflation. In some measure in all economies, of course, domestic inflation may be generated independently of inflationary pressure from abroad. During the current decade inflationary pressures have been occasioned by the occurrence of poor harvests, particularly of foodgrains, because of successive years of drought. The example of India in the early years of the decade is a case in point; Afghanistan had a similar experience in 1970 and 1971. In both countries, agricultural production declined for two consecutive years, which reduced the supply of food-stuffs and of industrial raw materials, such as fibres and oil-seeds, of critical importance to Indian manufacturing. Further, agricultural incomes fell sharply and reduced consumer demand for industrial products while the cost of industrial raw materials rose owing to the shortfall of supplies. Public expenditures to provide relief and to maintain other essential services added to the pressure of monetary demand upon available real resources. Inflation was also fueled by the continued expansion of bank credit to supply the necessary funds for both public and private sectors.

159. Rapidly increasing international prices for cereals beginning in 1972 provided additional inflationary pressure because of the increased requirements for food imports. Although food grain production improved in the succeeding years, it was

not until the 1975/76 crop year that bumper crops of cereals provided the basis for increased consumption, the accumulation of stocks and reduced import requirements. Improvement in the supply of industrial raw materials and of electrical power, which had also suffered from drought-induced water shortages, enabled industrial production to recover. Increased export demand at mid-decade coincided with the renewed capability to expand production in agriculture and industry, although prices of fuel and fertilizer had increased greatly. Inflation in India during the 1970s was thus mainly of domestic origin, although the situation was certainly made much more difficult by external inflationary influences. By 1976, both domestic conditions and external circumstances developed in ways which permitted inflationary forces to be brought under control.

160. Vulnerability to external inflationary influences is often far greater in less self-contained economies. Domestically generated inflationary forces consequent upon shortfalls in food-crop production during the early 1970s had serious inflationary effects in the Philippines and apparently in Indonesia as well. In 1972, domestic inflation flared up again in Indonesia after three years of comparative price stability that had resulted from the stringent stabilization measures required to curb the extreme inflation of the 1960s. The impact of the primary commodities export boom began to exercise stimulative effects on both the Indonesian and Philippine economies as the earlier inflationary stimulus of cereals shortages had begun to emerge. Unlike the Indian economy both Indonesia and the Philippines devote a large portion of resources to the production of primary commodities for export; in both countries export earnings from primary products soon enhanced domestic incomes and contributed importantly to the burgeoning forces of inflation. With the OPEC oil price rise in 1973-1974, a twofold increase in Indonesian export earnings was added to the accumulating inflationary forces. As a heavy importer of petroleum, the impact of the 1973-1974 price increase quite clearly had cost-push effects on the Philippine economy.

161. Several of the developing economies in the ESCAP region have an important degree of dependence on international trade. For them the inflationary influences of the increase in international demand and commodity prices occur in two essentially different ways. Depending upon the structure of production and the composition of exports and import requirements, these influences affect such economies with differing degrees of severity and in different time sequences. The impact of rising import prices is perhaps generally more quickly discernible, while the stimulation of export production and the increase in incomes which results become

recognizable only after some time has elapsed. Roughly coincident with the onset of the commodities export boom in the latter part of 1972 there came an accelerated rise in the prices of imports — of foods, and of raw and semi-fabricated materials for use in construction and manufacturing. As noted earlier, even before the great increase of late 1973 and 1974, prices of mineral fuels had risen sharply. While these price increases came concurrently with the expanding demand and rising prices of primary-products exports, the spread effects of the expansion of export production on income generation in other sectors were less rapidly perceptible. It is therefore scarcely surprising that the cause of the sharp rise in the prices of a broad array of domestic as well as imported goods was attributed to "imported inflation".

162. Imported inflation of the sort which occurred during this period is a species of cost-push inflationary pressure. As the capacity to earn foreign exchange sufficient to pay for imports was rapidly being expanded by the increase in both primary and manufactured exports, the importation of consumption and intermediate goods at increasing prices also meant increased costs to the final user. For consumer goods the incidence of price increases falls directly on the final consumer; because most of the developing economies in the region are net importers of foodgrains, the accelerating rise in prices of imported cereals from 1972 to 1974 typically had a marked effect on consumer prices. Imported raw materials and semi-fabricated inputs as well as finished goods for industrial use created cost-push effects in manufacturing and construction as prices of such imports rose. These increases in costs were exceptionally large for many individual items in 1973 and 1974 and were typically passed on to consumers in the form of higher prices for the finished product. Prices of capital goods — machinery and equipment — also advanced rapidly in this period, raising the costs of investment in new production capacity which would upon completion provide increased output for domestic use and for export. Although the effect on prices of the increased output was delayed, the cost of investment in new capacity was promptly affected. At the later phase in the cycle as cost increases continued while the demand for exports had begun to slacken, a cost and profits squeeze developed, contributing to the reduction of domestic production as the boom subsided and recession ensued.⁵³

163. Export-induced inflation is another major aspect of the influences generated by the expansion of external demand and the concomitant rise in export prices, and appears as a form of demand-pull inflation. Rapid increases in the demand for exports are generally accompanied by marked rises

in export prices and have similar aggregate effects on the economy, although the supply response may differ considerably between types of commodity; marked differences in supply response generally appear between manufacturing and agricultural production. The focus here is upon the broad, aggregate effects of this expansion, in the generation and diffusion of incomes in the process of production for export. Depending upon the structure of production and the degree of integration of the export sectors with the rest of the economy, the spread effects of this expansion come to be felt more or less pervasively throughout the economy. As incomes generated in the expansion of export production are spent by the recipients — by firms for inputs and investment of profits for the expansion of capacity, by workers for consumer goods and services and so on — economic activity is stimulated in domestic production sectors. As these newly created incomes are diffused throughout the economy, output increases on a broad front, employment expands and domestic prices begin to rise. If the magnitude of this growth is sufficiently large and sustained, production capacity becomes more fully utilized and production costs begin to rise. When, as occurred during the upswing of 1972-1974, costs of imports have also risen rapidly, cost-push effects emanate from both domestic and external sources. As the inflationary effects of these pressures mount, a cumulative process of rising costs and prices evolves in which cost-push and demand-pull elements become inextricably interwoven. Rising consumer prices elicit increases in wages as long as employment is expanding, even though a potential supply of unskilled, underemployed labour exists in rural areas.

164. In order for this process to continue, increased expenditures must be facilitated by the expansion of credit; in the circumstances of rapidly increasing export earnings the basis for credit expansion is readily available. Although this process of cumulative inflationary cost and price increases could be curbed by restricting credit and employing other anti-inflationary measures, governments are unlikely to risk choking off the boom and bringing on a recession. Moderately effective monetary and fiscal measures have been able to reduce some of the less desirable impacts of domestic inflation but its force begins to wane when the combination of rising costs and slackening demand begin to encroach upon profits and depress the incentive to increase production.⁵⁴

⁵³ The influence of expenditure on imports is considered below.

⁵⁴ Although couched in general terms, this process of export-induced expansion and inflation occurred during the mid-1970s in varying degrees of intensity in several southeast Asian primary-products exporting economies; in somewhat different form the process describes the experience of manufactures exporting economies such as the Republic of Korea and Singapore as well.

165. Economies which are specialized in export production typically depend importantly upon imports for production inputs and often for many consumption goods. In such economies an appreciable part of increasing aggregate demand spills over into a demand for imports. Pressure of demand on available domestic resources generates cost-push forces, prompting governments to ease quantitative restrictions on imports and to reduce import duties. As imports expand, a part of the excess aggregate demand is extracted from the domestic economy; thus, increased expenditure on imports reduces inflationary pressures, relative to what they would otherwise have been. Increased supplies of commodities thus absorb a part of excess monetary demand. Excess demand-induced inflation might be reduced if enough goods could be imported at lower prices than those prevailing in the domestic economy—an unlikely possibility in a period of international inflation.

166. Although imports increased greatly in many countries in the region in response to the boom, especially during 1974, the prices of imported goods continued to rise. Potentially inflationary excess demand was thus withdrawn from the domestic income stream, but the higher-cost imports brought little respite from inflation. Increased quantities of imports provided for production and consumption demand which would otherwise have gone unfilled—with continued inflationary consequences. In effect, the demand-pull force was in part replaced by a cost-push force which, because of continually rising import prices, could not reduce domestic prices though the rate of domestic inflation was presumably retarded. For countries which lacked the foreign exchange to permit a massive increase in imports, the alternative forced upon many countries during this period was the necessity to restrict imports of all but essential items—food, fuel and fertilizers—and sometimes to repress the demand even for some of these, with dire consequences for both production and consumption.

3. Monetary and fiscal policies

167. During the period of the commodities export boom and its collapse into recession, the problems presented to policy-makers in many developing countries ranged from excess demand and general inflation to slack demand and rising unemployment. Although prices did not generally fall (with exceptions noted earlier), inflationary pressures from excess demand were clearly subsiding during the course of 1975. This was the situation in broad terms for the countries heavily dependent on foreign trade and manufactures exporters as well as primary-products exporters. Though differences between the experiences of Indonesia and Iran were considerable, their situation differed markedly from the non-oil-export-

ing countries. The two major oil exporters faced problems of excess demand and inflation, followed by relatively slack demand, hence fairly nearly the full array of circumstances accompanying the classic business cycle. In Afghanistan and India inflationary impulses coupled with reduced levels of general economic activity emanated from domestic sources—prolonged periods of drought and accompanying decreases in agricultural production. Pakistan, also a largely self-contained economy, experienced inflationary and recessionary influences which had both external and domestic origins; the influences from conditions of war in 1971, although they affected India as well, were perhaps especially severe in their impact on the Pakistan economy.⁵⁵

168. The wide variations in the problems of monetary and fiscal policy which have confronted the developing economies of the region have been conditioned by widely varied historical and institutional circumstances. In consequence the policy instruments employed to manage the economy have varied in type and effectiveness. Although several countries had previously experienced serious inflationary pressures and had made considerable progress in the development of policies to cope with them, others had been spared the ravages of inflation for extended periods. The Government and the Reserve Bank in India had evolved relatively effective institutions and techniques of control through years of experience with domestic inflation; much the same applies to Pakistan and the Republic of Korea. Others, such as Malaysia and Thailand experienced serious and sustained inflationary pressure during this period for the first time since the early 1950s.

169. During the years of economic upswing inflationary pressures were such that the monetary authorities characteristically refrained from attempting to choke off demand during the export boom by stringent monetary measures. Rather, the effort was typically directed towards moderation of the rate of inflation and the channelling of credit to promote the expansion of production in priority sectors, such as food agriculture. These methods were often used in conjunction with administrative measures to limit the over-all expansion of credit. Mainly through directives to the commercial banks, central bank authorities set quantitative limits to the expansion of bank credit and issued guidelines for the allocation of loans and advances. The effectiveness of administrative controls depended on a fairly high level of development of commercial banking and its penetration into most sectors of the economy and, secondly, on effective monetary controls over the

⁵⁵ The severity of the disruption in Bangladesh and the consequent lack of comparable information have made it impossible to treat that country thoroughly.

commercial banks. Thus the efforts in many countries over periods of more than a decade to encourage the extension of the commercial banking system into the smaller cities and towns was prerequisite to the channelling of credit into agricultural activities at a time of general credit stringency.

170. Effective use of the central bank discount rate to control the expansion of bank credit depended upon the need for the banks to rely on the central bank as lender of last resort. Manipulation of reserve ratios was generally relied upon to ensure that commercial banks were sufficiently dependent upon the central bank for credit to provide the necessary leverage. Moreover, the mechanisms through which the leverage could be applied had to have developed sufficiently to function effectively. In Malaysia, for example, the development of a treasury-bill market was still in process when inflationary pressures began to mount in the early 1970s. Continued expansion of holdings of treasury bills by the banking system during the period of inflation, given the limitations placed upon bank liquidity, provided the means by which effective control of the expansion of the money supply could be accomplished.

171. Monetary measures employed as a part of the anti-inflationary effort in India included a high interest rate and a relatively restrictive rediscount policy. Raising the cost of credit was effective in discouraging speculative accumulation of stocks of agricultural products. Together with fiscal measures which restricted the expansion of disposable income in the hands of the public, these measures made possible a reduction of the price level in 1976. The striking aspect of Indian credit policy in 1974/75 was the emergence of the interest rate as an important instrument of monetary management. Nevertheless, although the Indian experience is perhaps not unique, it remains true that effective monetary policy is possible only under facilitating circumstances. In addition to the pre-requisite development of the banking system and the spread of commercialization of economic activities, the circumstances of a large and largely self-contained economy, once the problem of external balance has been brought under tolerable control, permit the effective use of monetary measures in ways which are less likely to be effective in more export-dependent economies. Not only do the influences from the balance of payments assume far greater importance in the expansion of the monetary base in economies which permit the relatively uninhibited in- and outflow of private capital, the possibility of independent control of the interest rate for purposes mainly aimed at domestic inflation is much more limited.

172. At the beginning of the current decade, several of the economies sensitive to variations in external demand had begun to use fiscal measures to help maintain the level of economic activity during periods of stagnant or falling exports. During the upswing in domestic economic activity generated by the commodities export boom, the feasibility of using fiscal means to reduce levels of aggregate demand was severely limited. The constraint imposed by the commitment to economic development has been noted earlier. The practical feasibility of reducing expenditures on capital projects already under construction was in most cases negligible; moreover, increasing costs of materials and rising wages generally meant that total outlays were greater than had been planned. Even the postponement of planned projects for infrastructural development was difficult to justify as delays in their completion could retard the establishment of directly productive capacity. Current expenditures in the public services, such as education and health, could seldom be reduced; even the decision to freeze budgets at existing levels was equivalent to a reduction in real terms. Although budget stringency may well have had beneficial effects by forcing administrators to eliminate unnecessary expenditures, continued inflation and the sustained rise in the costs of materials, maintenance and other services meant the risk of reduction of the quality of public services. Governments, as large employers both in general administration and in educational and public health systems, were prompted by rising living costs to make upward adjustments in wages and salaries. Although these adjustments were often insufficient to prevent the reduction of real incomes among government servants, school teachers and employees in other public services, they constituted large increments to the national wage bill. Moreover, the example set by the government as the largest single employer in many countries often set the pattern for wage adjustments in the private sector. Although the typical lag in such adjustments behind the rapid rise in living costs may have dampened the rise in consumer prices, when the adjustments finally came they were large in aggregate and tended to offset the economies in expenditure achieved in other budgetary items.

173. Prompted by the great increases in prices of commodities which were critically needed for production — of which fuels and fertilizers are the leading examples — governments in many countries found it necessary to subsidize these items to ensure the maintenance of output levels. Subsidization of fertilizers generally meant an added burden on government budgets. The budgetary impact of subsidies on petroleum products has differed widely among countries, as many governments were able to pass

on most of the increase to users. By adjusting the large tax element in the price of petroleum products to final users, the relative burden of the price increases could be shifted among them. Fuel oil and diesel for industrial and transport use have in some cases been adjusted upwards by a smaller proportion than automotive petrol; typically the price of kerosene was raised relatively less than other products to protect consumers in rural areas, where kerosene is the major household fuel. Where a direct subsidy was not paid by the government, an implicit cost was incurred to the extent that the tax on petroleum products was reduced in order to allow a smaller increase in the price to the user.

174. Food subsidies have varied widely in form and importance among the developing countries of the region. Direct subsidies provided by sales at prices below the cost of procurement in the Republic of Korea were reflected in the steady rise in the debt of the Grain Management Fund; the cost of all government subsidies in the Republic of Korea increased tenfold in a single year, 1973 to 1974. In Sri Lanka, where food subsidies had been in force for more than 30 years, the steep rise in prices of imported rice, sugar and wheat, despite reductions in rations and increased prices to consumers, drove the costs of these subsidies to new heights. By 1975, food subsidies absorbed 23 per cent of the government's current budget expenditures. In several countries both direct subsidies to farmers for inputs such as fertilizer and the implicit subsidy provided by government-financed irrigation constituted subsidies to the consumer for food.

175. On the income side of government budgets, uncommonly large increases in ordinary tax revenue accrued during the period of inflation and economic buoyancy. Revenue from export duties in countries where exports expanded greatly during the export boom was in several cases enhanced by additional duties intended to siphon off excess earnings from particularly profitable export commodities. Although revenues from import duties generally increased moderately as import values rose, several governments were able to impose surcharges on imports apparently without retarding the expansion of import expenditures. Moreover, revenues from import duties were sacrificed in many instances when the pressures of domestic demand on critical consumption and intermediate goods prompted the reduction or elimination of import taxes in order to reduce cost-push effects. Revenues from personal and corporate income taxes increased in greater than average proportion during the period of the boom as personal incomes for those in higher tax brackets than most of the urban working classes automatically moved up the scale of taxable incomes; in addi-

tion, significant increases in the number of persons liable to income taxation occurred in many countries and an additional effort was made by several governments to enforce a greater compliance with tax legislation. Examples of these efforts are many and include India, Indonesia and the Philippines. In India rather unconventional methods were used to reduce disposable income in the hands of the public: impounding half of all dearness allowances and nearly all of wage and salary increments, ceilings on the distribution of corporate earnings and compulsory savings for taxpayers in the higher income brackets mopped up purchasing power amounting to Rs 7,600 million in 1975/76, an amount equivalent to more than half of total income tax receipts and more than 13 per cent of total tax revenues.

176. Government revenue receipts in most countries expanded more rapidly than the rise in the general price level; thus government incomes in the period of inflation typically expanded in real as well as nominal terms. While current expenditures increased at rates comparable to those of receipts, development budgets also expanded, in several countries more rapidly than current outlays, leading to budgetary deficits on total government operations.

177. In lieu of an appropriate deflator, the broad outline of government budgetary operations can usefully be viewed in terms of the ratios of total government revenues and expenditures to GNP. Data for a sample of countries for which comparable information is available are presented in this form in table 23. To suggest the variations in the rate of inflation from year to year, annual percentage changes in the GNP deflator have been included as well.

178. Not surprisingly, the greatest increases in the revenue and expenditure ratios have been recorded for the two petroleum-exporting countries, with the expansion of the Philippines revenue/GNP ratio at a comparable order of magnitude. For several countries the peak year for the revenue/GNP ratio reflects the cyclical pattern of income expansion during the 1970s. Though in several instances the peak level has not been maintained into the latest year for which data are available, most have been able to sustain a level well above that which prevailed at the beginning of the decade. Total expenditures have commonly outstripped revenues for the countries shown in table 23, reflecting deficits in over-all budgetary operations. Among the countries for which total public debt figures are shown (also as ratios to GNP), the variation is considerable. More important, however, is the rise or fall in the debt/GNP ratio over the turbulent years of the current decade. Though the figures for most of the coun-

Table 23. Selected developing ESCAP economies: government revenue, expenditure and public debt as shares of GNP (percentage^a), 1970-1977

	1970	1971	1972	1973	1974	1975	1976	1977
<i>Oil-exporting countries</i>								
<i>Iran</i>								
GNP deflator	—	7.9	9.8	28.4	56.4	10.6	15.2	17.2
Government revenue	23.5	28.4	26.2	24.6	45.3	45.5	40.5	38.0
Government expenditure	30.2	31.1	30.8	27.6	40.9	45.2	41.3	45.5
<i>Indonesia</i>								
GNP deflator	—	6.3	13.2	33.8	47.8	12.4	16.1	13.9
Government revenue	11.3	12.3	14.1	15.2	17.5	18.7	19.6	19.7
Government expenditure	13.3	14.2	16.3	17.4	18.4	22.0	21.1	18.7
<i>Non-oil-exporting countries</i>								
<i>South Asia</i>								
<i>India</i>								
GNP deflator	—	5.3	11.1	18.6	18.5	—4.0	4.4	...
Government revenue	8.3	9.4	9.6	8.4	9.0	10.3	10.6	...
Government expenditure	11.6	13.1	14.1	11.3	12.5	15.1	16.2	...
Public debt	—	49.5	50.1	41.2	38.5	41.8	43.1	...
<i>Nepal</i>								
GNP deflator	—	4.5	11.0	8.9	9.6	11.0	0.1	6.5
Government revenue	8.0	8.0	7.6	7.1	7.5	8.7	10.1	11.4
Government expenditure	7.8	8.5	8.6	8.7	9.3	10.2	13.1	15.8
Public debt	1.4	2.1	2.7	3.4	4.3	5.2	7.7	10.9
<i>Pakistan</i>								
GNP deflator	—	5.0	6.6	15.7	23.8	27.1	11.6	...
Government revenue	17.2	15.2	13.5	13.0	14.2	13.1	14.1	...
Government expenditure	25.5	21.3	18.3	19.8	20.2	23.3	23.3	...
Public debt	49.5	53.8	96.8	79.3	66.6	54.8	57.5	...
<i>Sri Lanka</i>								
GNP deflator	—	1.5	3.7	15.8	25.3	8.2	6.6	15.8
Government revenue	21.3	23.6	23.8	24.2	22.4	21.4	22.0	21.3
Government expenditure	28.4	32.6	32.2	30.1	27.3	30.3	33.2	28.1
Public debt	58.2	65.4	67.3	61.0	52.1	53.4	60.0	71.5
<i>Southeast Asia</i>								
<i>Malaysia</i>								
GNP deflator	—	—3.9	2.9	18.2	13.0	—3.3	13.0	6.3
Government revenue	20.1	19.7	21.9	19.6	22.7	23.7	23.0	24.8
Government expenditure	23.6	27.7	31.5	25.5	29.1	32.4	30.4	33.6
Public debt	41.3	48.7	53.0	45.9	42.7	51.6	49.1	50.4
<i>Philippines</i>								
GNP deflator	—	12.3	6.7	17.7	31.2	8.1	8.0	8.3
Government revenue	11.6	11.8	10.8	14.5	17.7	18.8	16.0	16.3
Government expenditure	11.4	12.2	12.6	11.6	15.3	19.6	17.7	18.1
Public debt	11.9	11.4	13.2	13.0	12.0	14.8	14.3	15.3
<i>Singapore</i>								
GNP deflator	—	4.5	5.4	12.2	15.5	2.4	1.8	1.9
Government revenue	23.5	22.3	22.9	21.1	21.4	25.4	23.8	24.1
Government expenditure	20.1	21.6	20.3	19.8	20.6	23.1	23.3	22.4
Public debt	34.7	40.1	42.7	36.8	36.0	42.6	50.0	56.8
<i>Thailand</i>								
GNP deflator	—	—11.0	9.2	20.2	18.5	2.1	3.8	5.2
Government revenue	13.8	13.7	13.1	12.6	14.1	13.2	13.1	14.6
Government expenditure	17.8	18.8	17.5	15.0	13.4	15.7	18.0	17.9
Public debt	20.0	22.8	25.8	21.9	16.9	16.2	18.3	19.7
<i>East Asia</i>								
<i>Hong Kong</i>								
GNP deflator	—	8.9	7.3	11.5	12.2	2.7	8.7	3.0
Government revenue	13.3	14.6	14.7	16.1	14.9	15.8	13.8	13.8
Government expenditure	10.9	11.7	12.0	14.0	14.7	16.8	12.7	12.1
<i>Republic of Korea</i>								
GNP deflator	—	11.5	14.5	9.4	26.7	24.2	15.8	13.8
Government revenue	17.8	17.9	16.2	16.4	17.4	19.1	22.7	22.0
Government expenditure	19.7	19.7	21.6	18.2	19.9	21.4	22.6	21.8
Public debt	2.5	2.2	5.5	5.3	6.6	7.8	7.7	7.4
<i>Pacific</i>								
<i>Fiji</i>								
GNP deflator	—	2.8	15.2	16.0	29.6	18.5	8.0	...
Government revenue	22.7	25.3	22.4	20.4	17.8	20.6	21.0	...
Government expenditure	24.6	26.7	24.1	23.7	21.4	22.1	25.0	...

Sources: International Monetary Fund, *International Financial Statistics*, February, September and December 1978, and national sources.

Note: ^a Annual change in GNP deflator; government revenue, expenditure and debt are ratios on GNP.

tries show an increasing proportion, for some the ratio has declined from an earlier peak level. Whilst it is impossible to assess the significance of the growing burden of public debt from these data alone, the increase in public indebtedness raises issues which will be of signal importance for fiscal and monetary policy in future years.

D. INTERNATIONAL DEVELOPMENTS

1. International trade

179. The international trade of developing ESCAP countries in the 1970s has been substantially affected by developments in the world economy. Exports responded in a volatile manner to changes in the level and rate of growth of aggregate demand in the developed industrial economies, to the increasing incidence of protectionism in these countries, to sharp changes in the conditions in international commodity markets, as well as in response to domestic policies and exchange rate fluctuations. Imports were also strongly influenced by rapid changes in the international economy. To an overwhelming extent their flow was determined by foreign exchange availability, which, in addition to the factors influencing exports, was also affected by the price of imports and the ease of access to capital markets and foreign assistance. The composition of imports was affected primarily by the steep rise in the price of oil and by the world food crisis of the early 1970s.

180. Changes in world trade are summarized in table 24. In value terms rates of change in world trade were much higher than in the 1960s because of world inflation and the steep rise in the prices of certain commodities, especially oil, in the early 1970s. In real terms, however, the situation varied greatly in the period under consideration. Total trade volume grew to a peak in 1974, then slowed down to an actual decline of 5 per cent in 1975, to settle to more normal growth rates in 1976 and 1977. In the case of the non-oil developing countries the rate of growth in the volume of exports was sustained at levels comparable to the satisfactory growth rates obtained in the 1960s. There was an exception in 1975, when in real terms there was negligible growth in exports and a decline in imports due to the world recession. In value terms, exports and imports generally grew rapidly, indicating the impact of inflation on international prices. Again, 1975 was an exception with exports declining in terms of SDR units.

181. Table 25 sets out information on exports for ESCAP developing market economies. During 1970-1975, in real terms exports grew at 9.8 per cent per annum on average, the growth rate rising to 14.6 per cent in 1976-1977. For the region considered as a whole this was a remarkable performance, particularly given the slowdown in the world economy, which occurred in the middle of the 1970s, the structural adjustments which were required following the impact of the oil price increase on the balance-of-payments positions of developing economies and the greatly increased incidence of protectionism in the developed industrial economies. In part, the sustained rate of growth of exports was due to the vigorous application of policies to re-establish balance-of-payments equilibrium and to control inflation. It was also influenced by the maturity and flexibility of the export sector in many of these countries, which enabled them to explore alternative export products and markets.

182. Viewed in a subregional context, however, the situation was very serious for the low-income countries of south Asia. As the table shows, export growth in real terms dropped alarmingly from 1971 to 1977, with real growth in exports actually declining in 1973 and 1977. This was the result primarily of sluggish demand for commodities coupled with supply problems in certain crop areas. In value terms, as table 26 indicates, exports from ESCAP developing economies grew at an annual rate of about 35 per cent in the period 1970-1975, reflecting the influence of inflation and of buoyant commodity prices in the early 1970s. The unsatisfactory performance of the low-income countries emphasizes the excellent exporting record of the middle-income countries. As might be expected, the exports of the oil-exporting developing countries were buoyant, except for 1975.

183. Between 1970 and 1977 developing countries increased their share in the total value of world exports from 19.7 per cent to 28.2 per cent. The developing ESCAP countries' share in the world total rose from 5.6 per cent to 8.6 per cent, an achievement in large part attributable to the oil-exporting countries in the region. The differing rates of export growth among the subregions has resulted in major changes in shares of non-oil exports from the developing market economies of the region. South Asia's share of this total fell from 27.5 per cent in 1970 to 17.9 per cent in 1977. During the same period the shares of southeast Asia and of the Pacific islands were fairly stable at around 40 per cent and about 1.5 per cent respectively. The fall in the share of south Asia was of course matched by the rapid growth in exports from east Asia, the share of the latter rising from 28.4 per cent to 39.1 per cent.

Table 24. World trade summary, 1962-1977
(percentage changes in volume and in unit value of foreign trade)

			Annual average 1962-1972 ^a	Change from preceding year				
				1973	1974	1975	1976	1977
World trade ^b		Volume	9	13	5.5	-5	12	5
		Unit value (\$US terms	2.5	23.5	40.5	9	1.5	9
		(SDR terms) ^c	2	12.5	39.5	8	7	7.5
Volume of trade	Imports	Industrial countries	9.5	12.5	1.5	-7.5	14.5	5
		Other developed countries	8.5	16.5	9.5	-7	5.5	1.5
		Major oil exporters	9	21.5	37.5	43.5	19	13
		Other developing countries	5.5	14	8.5	-6.5	4	5
	Exports	Industrial countries	9	14	8	-4.5	10.5	4.5
		Other developed countries	8	3	2	1	12	7
		Major oil exporters	9	12.5	-1	-11.5	14	-
		Other developing countries	6.5	8	5	1	13.5	6.5
Unit value of trade in SDR terms ^c	Imports	Industrial countries	2	11.5	39	7.5	6	7.5
		Other developed countries	2	10.5	41.5	9.5	6	6.5
		Major oil exporters	2	11	28	10	7	7
		Other developing countries	2	12.5	48.5	10	8	7
	Exports	Industrial countries	2	9	23.5	11	5.5	7.5
		Other developed countries	2	23	24	2.5	5.5	5
		Major oil exporters	3	27.5	204	4	12	8
		Other developing countries	1.5	24	36.5	-4	13.5	10

Source: International Monetary Fund, *Annual Report*, 1978, p. 14.

Notes: ^a Compound annual rates of change.

^b Sum of the groupings shown separately; based on approximate averages of growth rates for world exports and world imports.

^c For years prior to 1970, an imputed value of \$US 1.00 has been assigned to the SDR.

Table 25. Developing ESCAP economies: export growth (constant 1970 prices), 1960-1977
(annual percentage change)

	1960- 1965	1965- 1970	1970- 1975 average	1971	1972	1973	1974	1975	1976	1977
Developing ESCAP (selected)	5.3	8.3	9.8	9.1	14.6	17.4	6.7	1.3	20.4	8.8
Petroleum exporters	3.8	8.9	5.6	7.7	7.0	-4.4	28.1	-10.4	6.9	1.5
Brunei	-2.7	8.2	18.0	-4.2	54.9	48.9	-8.6	-1.0	16.3	19.9
Iran	9.3	14.6	5.0	9.7	3.2	-21.0	46.6	-13.7	4.4	-6.1
Indonesia	-0.8	0.0	11.7	4.1	28.5	21.7	9.8	-5.8	9.7	10.3
Non-oil exporters	5.8	8.1	11.3	9.5	17.0	23.6	2.0	4.6	23.6	10.3
South Asia	4.6	3.0	1.4	1.9	4.4	-1.5	0.2	2.0	14.8	-6.3
Afghanistan	10.5	3.0	9.5	9.3	-17.0	37.2	14.0	4.1	25.2	6.3
Bangladesh	-	-	-4.9 ^a	-	-	1.6	-8.3	-8.0	36.7	-4.0
Burma	0.3	-16.0	-11.0	26.8	-11.7	-2.5	-45.8	-21.9	26.0	1.6
India	4.2	4.4	2.9	-1.6	7.5	-1.2	7.9	1.7	17.3	-5.1
Pakistan	9.3	5.4	-15.4	-7.9	-45.8	-19.4	-11.0	6.9	1.4	-16.0
Sri Lanka	2.5	0.1	-0.1	-3.5	2.4	4.4	-18.1	14.2	-15.4	-21.1
Southeast Asia	4.4	7.6	12.3	14.2	17.4	24.0	4.8	1.2	19.4	11.2
Malaysia	4.0	8.1	12.2	6.0	9.5	36.5	4.3	4.5	14.2	-1.7
Philippines	7.5	5.3	3.2	9.6	3.7	8.0	-10.8	5.4	28.4	20.8
Singapore	-0.4	11.9	19.1	22.8	30.5	36.3	11.1	-5.0	15.6	15.7
Thailand	9.7	2.7	10.9	22.0	24.8	-7.9	6.2	9.6	33.8	16.0
East Asia	11.8	16.1	17.4	13.2	23.5	36.0	1.7	12.4	32.0	14.7
Hong Kong	9.9	12.8	9.3	7.9	12.5	25.0	-2.9	4.2	28.5	10.3
Republic of Korea	38.4	32.7	33.9	29.2	50.5	57.6	8.9	23.1	35.4	19.6
Pacific	5.2	5.0	29.5	19.3	81.4	86.1	-20.2	-19.2	37.0	31.5
Fiji	5.6	1.6	-2.4	2.9	-10.0	1.6	-15.6	9.2	-15.2	22.0
Papua New Guinea	6.2	8.3	45.1	30.1	134.3	103.8	-20.8	-22.1	45.1	32.1

Sources: United Nations, *Monthly Bulletin of Statistics*, various issues.

Note: ^a 1972-1975.

184. Concomitant with these changes, the commodity composition of exports from developing ESCAP countries has been altered considerably. As might be expected, the greatly increased oil revenues of Indonesia and Iran have brought about a virtual trebling of the share of mineral fuels (see table 27). Other notable changes in the composition of exports are the steep decline in the share of raw materials and an impressive growth in the share of machinery and transport equipment. The latter is particularly remarkable in view of the brevity of the period and the large increase in total export values.

185. Clearly the most noteworthy shift in the pattern of destinations of exports from the developing ESCAP region is the marked increase in the share going to the developed market economies during the current decade (table 28). While the share of total exports (in current values) destined for North America advanced only slightly, the shares to the developed ESCAP economies and to Europe increased considerably during the period covered by the table. The offsetting changes appear in declines in the shares to the European centrally planned economies and to the countries in the Middle East

Table 26. World and ESCAP: percentage growth rates of exports, 1960-1977
(current prices)

	1960- 1965	1965- 1970	1970- 1975 average	1971	1972	1973	1974	1975	1976	1977
1. World total (market economies)	7.8	11.2	24.1	12.1	18.6	39.0	48.5	2.5	13.9	13.3
2. Developed	8.4	11.9	21.4	12.1	18.4	36.7	33.1	6.5	11.2	13.5
3. Developing	5.8	8.7	35.7	12.1	19.4	48.4	105.8	-7.1	21.3	12.9
4. OPEC	—	—	59.1	32.2	17.8	53.9	201.7	-9.9	21.1	9.7
5. ESCAP	8.2	12.7	27.8	18.4	20.1	41.9	59.4	-1.0	2.0	15.9
(a) Developed ESCAP	12.5	15.3	23.3	21.0	20.5	33.2	40.7	1.2	19.2	16.6
(b) Developing ESCAP	3.9	9.4	34.7	14.3	19.5	56.7	86.5	-3.4	25.2	15.1
(i) Oil exporters	3.6	13.0	63.1	35.0	15.9	63.0	207.3	-5.5	17.6	10.1
(ii) Non-oil exporters	4.3	8.3	23.7	7.7	20.9	54.3	37.4	-1.6	31.9	19.0

Source: United Nations, *Monthly Bulletin of Statistics*, various issues.

Table 27. Developing ESCAP countries: composition of exports, 1970-1976^a
(percentage of total value)

	1970	1971	1972	1973	1974	1975	1976
Food, beverages and tobacco (SITC 0+1)	19.3	20.0	18.4	16.4	16.7	18.2	16.2
Mineral fuels and related materials (SITC 3)	5.8	8.1	8.1	8.6	17.7	18.8	16.7
Crude materials and oils and fats (SITC 2+4)	25.9	25.4	21.8	22.4	18.4	15.1	15.0
Chemicals (SITC 5)	2.4	2.5	2.6	2.3	2.8	2.2	2.2
Machinery and transport equipment (SITC 7)	6.0	5.3	8.4	8.8	8.8	8.9	10.4
Other manufactured goods (SITC 6+8)	40.6	38.7	40.7	41.5	35.7	36.7	39.5
Textile yarn and fabrics (SITC 65)	10.8	10.3	10.8	10.7	8.4	8.0	8.4
Iron and steel (SITC 67)	2.0	1.3	1.7	1.6	1.8	1.4	1.7
Non-ferrous metals (SITC 68)	3.2	3.0	2.5	2.3	2.7	2.5	2.0

Source: *Statistical Yearbook for Asia and the Pacific, 1976* (United Nations publication, Sales No. E/F.77.II.F.8).

Note: ^a Totals exclude SITC 9, miscellaneous transactions.

Table 28. Developing ESCAP countries: exports by destination: summary by country,
1968-1970, 1971-1973 and 1974-1976
(percentage)

Exports to	Industrial economies				USSR & East Europe	Developing economies				
	Total	Europe	North America	ESCAP		Total	ESCAP	Middle East and Africa	Others	
Developing ESCAP										
1968-1970	65.4	23.4	20.8	21.2	5.0	29.6	22.8	6.2	0.6	
1971-1973	71.1	25.5	20.8	24.8	3.6	25.2	19.8	4.9	0.5	
1974-1976	76.4	28.3	21.9	26.2	2.3	21.3	15.9	4.9	0.5	
Petroleum exporters										
Indonesia										
1968-1970	70.8	16.5	15.1	39.2	2.5	26.6	26.3	0.2	0.1	
1971-1973	84.6	13.7	17.4	53.5	0.7	14.6	14.3	0.3	—	
1974-1976	86.7	6.4	33.0	47.3	0.5	12.8	12.4	0.3	—	
Iran										
1968-1970	76.2	35.3	4.9	36.0	1.1	22.6	12.3	9.7	0.6	
1971-1973	87.5	46.7	7.0	33.8	—	12.5	7.8	4.2	0.6	
1974-1976	91.8	50.3	16.2	25.2	0.4	7.9	5.2	2.0	0.8	
South Asia										
Burma										
1968-1970	39.4	30.5	0.5	8.4	3.5	57.2	51.3	5.9	—	
1971-1973	47.1	29.3	1.5	16.3	2.0	50.9	42.9	8.0	—	
1974-1976	32.8	20.0	1.5	11.3	0.4	66.8	58.3	8.5	—	
India										
1968-1970	57.8	24.7	18.3	14.8	19.2	23.0	11.5	11.3	0.2	
1971-1973	55.2	23.6	17.2	14.4	21.3	23.5	12.4	10.7	0.4	
1974-1976	55.1	26.6	14.0	14.5	14.5	30.4	16.3	13.7	0.4	
Pakistan										
1968-1970 ^a	54.7	31.5	13.8	9.3	9.3	36.0	20.3	13.5	2.1	
1971-1973	49.2	27.1	5.8	16.3	7.0	43.8	29.9	13.9	—	
1974-1976	41.0	26.7	6.4	8.0	5.3	53.7	27.4	26.0	0.3	
Sri Lanka										
1968-1970	62.1	39.2	12.6	10.3	9.3	28.6	18.4	10.1	—	
1971-1973	58.0	30.0	15.8	12.2	6.6	35.4	27.2	8.2	—	
1974-1976	53.0	30.6	12.1	10.2	5.8	41.1	27.5	13.7	—	
East and southeast Asia										
Malaysia										
1968-1970	56.6	18.6	16.2	21.7	6.6	36.9	31.8	—	5.2	
1971-1973	56.6	22.0	14.5	20.1	6.5	38.8	35.1	—	3.7	
1974-1976	64.3	21.6	12.7	30.0	0.5	35.2	33.8	—	1.3	
Philippines										
1968-1970	90.1	9.7	43.4	37.0	—	9.9	8.8	0.4	0.7	
1971-1973	91.4	15.7	40.1	35.6	0.2	8.4	7.9	0.4	0.1	
1974-1976	88.5	17.4	37.0	34.1	1.7	9.8	8.1	1.4	0.3	
Thailand										
1968-1970	57.9	20.5	14.1	23.3	0.5	41.6	37.2	4.5	—	
1971-1973	56.4	19.2	12.3	24.8	0.6	42.9	36.7	6.1	0.1	
1974-1976	56.5	19.5	10.0	27.0	0.8	42.6	34.9	7.6	0.2	
Republic of Korea										
1968-1970	87.0	8.7	53.3	25.0	—	13.0	10.6	2.3	0.1	
1971-1973	89.4	9.3	48.5	31.6	—	10.6	9.2	1.4	—	
1974-1976	85.1	16.3	38.8	30.0	—	14.9	10.4	4.4	0.1	

Source: *Statistical Yearbook for Asia and the Pacific, 1976* (United Nations publication, Sales No. E/F.77.II.F.8).

Note: ^a East and West.

and Africa, while the largest proportionate decline appears in the intra-trade of the developing ESCAP region. Doubtless the greatest part of this change in the pattern of export destinations is found in the marked shift in the composition of total exports occasioned by the sharp increase in petroleum prices since 1973. Indonesia and Iran, the two major petroleum exporters in the region, recorded an increase in their combined share in total regional exports from 24 per cent in 1970 to 44 per cent in 1976. Concurrently the proportion of their total trade destined for the industrial economies rose from 75 per cent to 90 per cent. This latter change far exceeds that recorded by any other major exporter in the developing ESCAP region.

186. Among the other countries shown in table 28, though some indicate an increase in the share of their exports to the industrial economies in 1971-1973, only Malaysia recorded such an increase in 1974-1976.⁵⁶ Although the shares were still relatively modest, several countries' exports showed distinct increases in Middle East destinations, notably the south Asian economies, the Republic of Korea and Thailand among those included in the table; to this list Hong Kong and Singapore might also be added. The data in table 28 reveal clear subregional differences. Thus in the four selected countries of east and southeast Asia, there was no pronounced increase in the share of exports going to other developing economies. In contrast, the four selected countries of south Asia all show a pronounced increase in the share of exports to other developing ESCAP economies. Nevertheless, for the developing countries of the region considered as a whole, the relatively higher proportion of exports from east and southeast Asia going to developed industrial markets and the considerably higher rate of export expansion of this subregion complemented the performance of the oil-exporting economies.

187. Concurrently with the extraordinary increase in the value and volume of world exports, imports also expanded at rapid rates during the 1970s, both in nominal and in constant-price terms. Variations among countries and subregions in the pattern of total import flows, reflected in the data given in table 29, broadly substantiate the differences noted in the earlier discussion of the total annual flow of resources available for domestic use. Indicative of the enhanced purchasing power of their major export, the petroleum-exporting countries in the ESCAP region were able to record outstanding increases in real imports. Their combined share of total imports of the developing countries of the region rose from about 15 per cent in 1970 to 28 per cent in 1976. Among the non-oil developing countries, the Pacific island economies suffered most

severely and appear to have experienced a decline in import volumes in 1976 and 1977. The south Asian countries, with the exception of Afghanistan, and possibly India in 1977, generally experienced virtual stagnation in the volume of imports during the current decade.

188. For the most part, the economies of east and southeast Asia were able to adjust to the changes in international trading conditions which took place in the first half of the 1970s. Inflation subsequently abated to more tolerable rates and competitive positions vis-à-vis the more rapidly inflating developed industrial nations improved. Exchange rates were generally allowed to adjust to defensible levels and, fortunately, food supplies continued to be adequate. Furthermore, not only were adjustments made reasonably quickly to expand and diversify export and import-competing activities, but the flow of essential imports was maintained by drawing on foreign exchange reserves and by heavy borrowing in foreign capital markets. It was this latter factor in particular which with sustained expansion of exports enabled this group of countries on average to maintain the flow of imports. With the exception of India in the more recent years, the low-income countries of south Asia were unable to achieve a satisfactory expansion of exports; their access to foreign assistance was generally unsatisfactory and they were unable to compete for foreign capital on commercial terms. These factors, together with the necessity to import high-priced foodgrains, the impact of the oil price increase and the generally deteriorating terms of the trade, caused stagnant or declining real flows of imports over the period under review.

189. Although there are significant differences in the rates of increase in average import prices among the subgroups shown in table 29, these differences are to be explained by variations in the rates of price increase among groups of commodities and the relative importance of particular commodities groups in the imports of individual countries. Broad reflection of the latter is found in the changes which have occurred in the composition of imports of major trading economies in the region, as shown in table 30. An indication of the pattern of changes in import prices which have confronted the developing

⁵⁶ By mid-decade, Malaysia had become a net exporter of crude petroleum. Two of the largest exporters in the developing region, Hong Kong and Singapore, have been omitted from the table because of the ambiguity of the large portion of re-exports in their totals. It may be noted, however, that while the share of Singapore's total exports going to the industrial countries rose from about 44 per cent to about 52 per cent in this period, the corresponding proportion for Hong Kong declined by about 4 percentage points.

Table 29. Developing ESCAP economies: merchandise imports (c.i.f.) by sub-group, 1970-1977

	1970	1973	1974	1975	1976	1977
	Total values (million US dollars)					
Developing ESCAP	18,060	33,248	50,982	59,018	66,719	77,242
Petroleum exporters ^a	2,664	6,122	9,275	15,113	18,567	19,980
Non-oil exporters	15,396	27,126	41,707	43,905	48,152	57,262
South Asia ^b	3,965	5,579	8,809	10,767	9,824	11,680
Southeast Asia ^c	6,157	11,111	18,547	18,319	19,950	23,400
East Asia ^d	4,888	9,894	13,620	14,031	17,656	21,268
Pacific ^e	386	542	731	788	722	914
	Annual average percentage change, 1970-1977					
	Implicit price (p) and quantum (q) indexes (1970=100)					
Developing ESCAP	p 13.4	138	201	212	217	228
	q 9.5	133	141	154	170	188
Petroleum exporters ^a	p 13.0	149	189	205	215	229
	q 19.3	154	184	277	324	328
Non-oil exporters	p 13.5	136	203	215	218	227
	q 7.5	129	133	133	144	164
South Asia ^b	p 16.2	137	221	259	268	258
	q 2.6	103	100	105	92	114
Southeast Asia ^c	p 13.1	131	196	204	208	223
	q 8.2	138	153	146	156	171
East Asia ^d	p 12.8	142	204	203	206	218
	q 10.8	143	137	141	176	200
Pacific ^e	p 14.1	135	190	202	231	243
	q 1.1	104	100	101	81	97

Sources: United Nations, *Monthly Bulletin of Statistics*, May 1979, and national sources.

Notes: ^a Indonesia and Iran.

^b Afghanistan, Bangladesh, Burma, India, Pakistan, Sri Lanka.

^c Malaysia, Philippines, Singapore, Thailand.

^d Hong Kong and Republic of Korea.

^e Fiji, Papua New Guinea and Samoa.

countries during the 1970s is provided in table 31. In want of comprehensive import price (unit value) estimates, price indexes for exports to developing areas from all sources have been used. Although the import prices for individual countries will differ considerably from these broad averages, the degree of aggregation is such that essentially the same general patterns will appear. Differences in the relative importance of the commodity groups among the developing countries in the ESCAP region (cf. table 30) provide the main explanation for differences in the price indexes for total imports.

190. Comparison of the patterns discernible in tables 30 and 31 provides an impressionistic but nonetheless instructive overview of the predominant changes in import composition and the price movements which have contributed so heavily to those changes. Without doubt the most pervasive changes in import composition stem from the great relative

increase in the price of petroleum and petroleum products. Given the markedly inelastic demand for these products due to extremely limited possibilities for the substitution of other sources of energy even in the comparatively long term, it is understandable that the share of mineral fuels in the import bill of most developing countries in the region has increased sharply since 1973. Reference to table 30 shows several instances of a doubling or more than doubling of the oil share since 1970 and a few in which the already expanded share has doubled since 1973. For the economies shown in table 30, the median proportion for fuels in the import bill in 1970 or 1970/1971 stood at 8 per cent. Although several countries recorded large increases as early as 1973 or 1973/1974, the median value of the share increased only slightly; the main impact of the petroleum price increase on the structure of imports appears after 1973. By 1976 or 1977, the median value of the share had risen to 16 per cent of the import bill.

Table 30. Developing ESCAP countries:
composition of imports by commodity section,^a
selected years, 1970-1977
(percentage)

Country and year SITC	Food	Raw materials	Mineral fuels	Chemicals	Manufactures (by material)	Machinery, transport equipment and other manufactures
	0 and 1	2 and 4	3	5	6	7 and 8
<i>South Asia</i>						
<i>Afghanistan^b</i>						
1970/71	22	3	7	8	36	24
1973/74	21	5	7	10	37	20
1975/76	26	5	10	6	34	19
<i>Bangladesh</i>						
1973/74	47	9	8	8	13	15
1975/76	30	18	13	12	12	15
1977/78	26	16	15	7	19	17
<i>India</i>						
1970/71	17	15	8	12	21	26
1973/74	19	8	19	12	18	23
1975/76	27	4	23	14	12	19
1976/77	19	9	28	9	14	21
<i>Nepal</i>						
1970	20	7	10	8	40	16
1975 ^c	16	4	11	10	30	28
1976	17	5	11	10	28	29
<i>Pakistan</i>						
1970/71	5	11	8	13	21	42
1973/74	18	13	12	15	19	23
1975/76	15	12	19	9	16	29
1976/77	9	13	18	12	17	31
<i>Sri Lanka^d</i>						
1970	46	3	3	8	18	19
1973	48	3	11	10	12	13
1975	46	4	20	13	11	7
1976	50	3	17	10	10	10
<i>Southeast Asia</i>						
<i>Malaysia^e</i>						
1970	21	8	12	7	18	33
1973	20	7	7	9	21	35
1975	18	7	12	8	16	38
1977	16	6	13	10	16	39
<i>Philippines</i>						
1970	10	6	11	12	22	39
1973	13	6	12	14	19	32
1975	10	4	22	11	13	34
1977	9	5	25	11	14	29
<i>Singapore</i>						
1970	14	13	14	5	22	30
1973	11	13	13	6	20	36
1975	9	8	25	6	18	33
1977	9	11	26	5	14	33

Table 30 (continued)

Country and year SITC	Food	Raw materials	Mineral fuels	Chemicals	Manufactures (by material)	Machinery, transport equipment and other manufactures
	0 and 1	2 and 4	3	5	6	7 and 8
Thailand						
1970	5	5	8	13	24	40
1973	4	8	11	16	21	38
1975	4	6	21	14	16	38
1977	4	8	22	14	16	34
East Asia						
Hong Kong						
1970	19	8	3	8	33	29
1973	19	8	3	8	34	29
1975	20	8	6	7	29	28
1977	16	7	6	7	30	33
Republic of Korea						
1970	16	21	7	8	15	32
1973	14	22	7	8	18	30
1975	13	16	19	11	12	29
1977	7	19	20	9	14	23
Pacific						
Fiji						
1970	21	3	11	7	20	36
1973	21	3	9	6	18	38
1975	19	2	17	8	18	33
1976	20	2	16	6	18	35
Papua New Guinea						
1970/71	19	1	3	4	18	50
1973/74	27	1	9	6	17	37
1975/76	23	1	14	6	14	40
Petroleum exporters						
Indonesia						
1970	5	2	2	13	31	38
1973	20	3	2	12	25	39
1975	12	3	5	17	23	39
1977	16	4	12	10	20	39
Iran						
1970	4	8	0	10	33	44
1973	9	7	0	10	33	41
1975	14	6	0	7	29	45
1977	11	4	0	7	31	46

Sources: Statistical Yearbook for Asia and the Pacific, 1976 and national sources.

Notes: ^a Totals include SITC 9, miscellaneous transactions.

^b Excluding most loan and grant imports.

^c Average for 11 months.

^d Composition estimated from grouped data; see Central Bank of Ceylon, *Annual Report 1974*, table II (K) 21 and *Review of the Economy 1976*, table II (J) 7. SITC 2 and 4 and 8 include residuals. Mineral fuels (SITC 3) are shown gross; net figures are: 1972 (2 per cent), 1973 (6), 1974 (3) and 1975 (10).

^e Import shares of SITC 3 for Malaysia are shown gross; information is inadequate to permit calculation of net estimates.

Table 31. Prices of exports to developing areas,^a 1970-1977
(unit-value indexes, 1970 = 100)

(SITC sections)	Total ^b (0-9)	Foods etc. (0 + 1)	Raw materials (excl. fuels) (2 + 4)	Fuels (3)	Chemicals (5)	Machinery (7)	Other manufactures (6 + 8)	Sub-total: All manufactures (5-8)
(Weights) ^a	(100)	(12.8)	(6.9)	(8.8)	(9.7)	(27.2)	(34.6)	(71.5)
1971	108	104	102	124	103	113	102	107
1972	117	115	105	131	107	126	110	117
1973	146	158	134	179	139	147	135	141
1974	206	221	192	529	214	166	176	176
1975	223	222	192	566	219	200	191	199
1976	228	229	198	605	198	214	188	202
1977 ^d	253	245	206	652	215	222	191	209
Relative prices (average = 100)								
1973	100	108	92	123	95	101	92	
1974	100	107	93	257	104	81	85	
1975	100	100	86	254	98	90	86	
1976	100	100	87	265	87	94	82	
1977 ^d	100	97	81	258	85	88	75	

Sources: United Nations, *Monthly Bulletin of Statistics*, June 1978, special table G; 1977 estimates from *ibid.*, May 1979, tables 59, 60 and special table C, and International Monetary Fund, *International Financial Statistics*, April 1979.

Notes: ^a Unit values of exports to developing areas, from developed and developing areas.

^b Totals include SITC 9: miscellaneous transactions, not shown separately.

^c Index weights in base year.

^d Estimated.

Moreover, the figures for the most recent year given in table 30 show that in all cases but one, the proportion exceeds 10 per cent; more than half the group spent in excess of 15 per cent of their import payments for oil and five countries paid more than 20 per cent. In 1970 only one of these countries paid as much as 14 per cent of its import costs for oil; none of the others paid more than 12 per cent of the total for oil.⁵⁷

191. Changes of this magnitude in the share of one important commodity group obviously require an offsetting reduction in the remaining shares.⁵⁸ Hence it must be remembered that changes in shares do not necessarily represent corresponding changes in actual volumes. For the countries of south Asia quite generally and the Pacific island economies for which imports grew slowly, stagnated or declined, relatively great increases in the oil share of the import bill imply compression in real terms of imports of other commodity groups. Such compression of the shares of foodstuffs and industrial and agricultural inputs has created considerable hardship, as it has impinged directly upon consumption and upon essential production. Scrutiny of table 30 suggests that the shares of raw materials (SITC 2 and 4), chemicals (SITC 5, which includes chemical fertilizers) and manufactures (SITC 6, classified by material, which includes intermediate industrial inputs and building materials) were subject to compression in most south

Asian economies in this period. Because of the great increase in the prices of food imports (especially in 1973 and 1974 (see table 31)) and the urgent demand for them in poor crop years, the shares of food imports are seen to have risen in some years in all the countries included in table 30 except Thailand, the major cereals exporter. Finally, it may be noted that the import shares of machinery, transport equipment and other manufactures (SITC 7 and 8) which include most investment goods, were compressed in many countries. Though in some cases this apparent compression may reflect an increased capacity in the economy to produce import substitutes, where it occurred in connexion with stagnant real flows of imports the consequences for capital formation and the expansion of production capacity must have been deleterious.

192. Most of the foregoing discussion has dealt separately with export and import prices and volumes. It remains necessary to review the patterns of change in the relations among these variables. The conventional terms of trade indexes provide a

⁵⁷ The 14 per cent share was recorded for Singapore. The relatively large share of oil in that year and in later years reflects Singapore's rather special characteristics as a major refiner-exporter.

⁵⁸ Except for 1975 in southeast Asian countries and 1976 for those in south Asia and in the Pacific, when current values of imports typically stagnated or declined. These shares are reckoned on increasing total value figures.

useful and relatively accessible indicator of changes in the ratio of export and import prices. Supplemented by an export quantum index, the barter terms of trade provide an index (the income terms of trade) of changes in the volume of imports which can be purchased with the quantum of exports actually sold at the prices prevailing in international markets. Table 32 presents export and import unit value indexes for 14 of the developing economies in the ESCAP region for the period 1970-1977; index series for the barter terms, and the income terms of trade are also presented.

193. The interplay of volatile price movements which have characterized international markets during the 1970s thus far has been described in the foregoing sections. Differences in these price movements as experienced by individual countries reflect the variations in the commodity mix of their exports and in somewhat less marked degree the composition of their imports. Broad similarities in import composition and the pervasiveness of the international inflation ensured generally similar and predominantly rising import prices during this period. Typically the rapid rates of rise slackened in 1974 and 1975; import price indexes fell slightly for several countries in 1975 and 1976, but the general rise seems to have resumed in 1976 and 1977. The dominant pattern of export prices, shared with relatively minor variations by most of the developing market economies of the region, reveal a cyclical profile. Stagnant or falling prices in 1971 gave way to rapid price increases in late 1972 and 1973 for primary commodities and for manufactures exports; deceleration in 1974 was followed by falling prices as the export boom subsided in 1975 and for some countries in 1976. Recovery brought generally rising export prices in 1976 and 1977. Apart from the petroleum exporters, the major exception to this pattern appears in the index of export prices for India, which enjoyed continuously, though moderately, rising prices for its exports.

194. The barter terms of trade which have resulted from these patterns of export and import prices predictably also reveal a generally cyclical pattern. In the event, this pattern is less distinct and less general than that traced by export prices. More importantly, however, the more rapid rise in import prices than those of exports except in most instances for 1973, the only full year of the export boom, meant that the ratio moved favourably for most exporting economies only for a year or two during the cycle. With an early fall in the barter terms of trade followed by a year or two of somewhat improved relative prices, the terms of trade typically deteriorated in 1974 and 1975 as the export boom slackened and collapsed. Partial recovery from this

decline was fairly general, but in 1977 for 8 of the 11 economies included in table 32 (excluding Singapore and the petroleum exporters for lack of comparability), the terms of trade index had not recovered to 1970 levels. At the lowest ebb in 1975, the barter terms had fallen more than 30 per cent (below 1970 levels) for five countries and remained more than 20 per cent below during 1976. Three other economies in 1975 and four in 1976 recorded barter terms at levels below those of 1970.

195. In this respect more informative than the barter terms of trade, the index of the income terms of trade traces the export performance of an economy under prevailing price conditions in international markets. Against predominantly unfavourable movements in the ratio of export-to-import prices, several of the developing economies in the ESCAP region were able to increase their export volume, during most of the period under review, sufficiently to pay for an increasing volume of imports. Thus primary products exporters such as Malaysia and the Philippines maintained the income terms index above 1970 levels in most years, while Thailand's exports were sufficient to do so in all years. Despite unsettled conditions early in the decade, Pakistan also managed rather well in this regard; India was moderately successful in most years. Doubtless the outstanding performance was that of the Republic of Korea, with a growth in manufactures exports sufficient to overwhelm the effects of a persistently declining index of relative export prices (see table 32). Supply problems of varying description impeded export growth in Burma, Fiji and Sri Lanka; this is reflected in stagnant income terms of trade in most years.

The increasing incidence of protection

196. The General Agreement on Tariffs and Trade (GATT) observed in its 1977 annual report:

"the spread of protectionist pressures may well prove to be the most important current development in international economic policies for it has reached a point at which the continued existence of an international order based on agreed and observed rules may be open to question."

The grounds for this pessimism have not abated; indeed the situation could be described as having worsened despite continuing statements of concern by the international community.

197. Given the relatively high ratio of exports to gross product in many of the developing ESCAP countries and the large portion of these exports

Table 32. Selected ESCAP economies: export and import prices
and terms of trade, 1970-1977
(1970 = 100)

Country or area/indexes ^a	1971	1972	1973	1974	1975	1976	1977
<i>South Asia</i>							
Afghanistan							
Export prices	105	115	145	189	175	187	(193) ^b
Import prices	106	112	139	181	188	182	
Barter terms of trade . .	99	103	104	104	93	97	
Income terms of trade .	103	102	97	111	102	135	
Burma							
Export prices	96	99	125	307	319	310	323
Import prices	108	138	143	197	270	318	345
Barter terms of trade . .	89	72	87	156	118	97	94
Income terms of trade .	108	90	87	109	91	79	82
India							
Export prices	104	113	138	172	189	197	223
Import prices	99	102	131	211	261	279	256
Barter terms of trade . .	105	111	105	82	72	71	87
Income terms of trade .	106	120	113	99	91	106	115
Pakistan ^c							
Export prices	100	185	326	419	370	404	485
Import prices	125	210	295	500	568	545	562
Barter terms of trade . .	80	88	111	84	65	74	86
Income terms of trade .	86	135	175	119	101	127	144
Sri Lanka							
Export prices	99	100	116	181	169	203	324
Import prices	107	113	149	264	309	274	336
Barter terms of trade . .	93	88	78	69	55	74	96
Income terms of trade .	90	84	75	57	55	70	84
<i>Southeast Asia</i>							
Malaysia (Peninsular)							
Export prices	92	88	113	152	132	159	186
Import prices	107	112	130	184	195	198	203
Barter terms of trade . .	86	79	87	83	68	80	92
Income terms of trade .	89	87	110	110	92	124	138
Philippines							
Export prices	95	90	131	218	177	198	243
Import prices	103	103	138	225	271	285	301
Barter terms of trade . .	92	87	95	97	65	69	81
Income terms of trade .	101	99	117	106	75	102	145
Singapore							
Export prices	...	100	123	175	170	181	196
Import prices	...	100	116	167	167	175	188
Barter terms of trade . .	...	100	106	105	102	103	104
Income terms of trade .	...	100	129	141	125	150	176
Thailand							
Export prices	96	100	157	233	205	192	194
Import prices	105	111	130	210	234	231	244
Barter terms of trade . .	91	90	121	111	88	83	80
Income terms of trade .	111	137	168	161	130	178	198

Table 32 (continued)

<i>Country or area/indexes^a</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>
<i>East Asia</i>							
<i>Hong Kong</i>							
Export prices	106	113	133	161	156	172	176
Import prices	102	106	126	165	156	162	168
Barter terms of trade . .	104	107	106	98	100	106	104
Income terms of trade .	108	116	124	111	117	161	166
<i>Republic of Korea</i>							
Export prices	99	100	126	160	148	166	181
Import prices	100	101	135	210	216	212	217
Barter terms of trade . .	99	99	93	76	69	78	83
Income terms of trade .	128	193	285	254	281	432	547
<i>Pacific</i>							
<i>Fiji</i>							
Export prices	99	118	136	265	269	253	296
Import prices	106	111	135	190	202	231	(243)
Barter terms of trade . .	93	106	101	139	133	110	122
Income terms of trade .	91	89	85	109	121	83	120
<i>Oil exporters</i>							
<i>Indonesia</i>							
<i>General</i>							
Export prices	107	120	178	375	381	410	459
Import prices	104	112	129	153	172	203	213
Barter terms of trade . .	103	107	138	245	222	202	215
Income terms of trade .	107	142	224	437	372	380	458
<i>Non-petroleum</i>							
Export prices	101	104	160	221	202	243	313
Import prices	103	113	128	148	165	195	205
Barter terms of trade . .	98	92	125	149	122	125	153
Income terms of trade .	112	116	189	226	163	197	261
<i>Iran</i>							
<i>General</i>							
Export prices	133	145	282	669	726	808	(860)
Import prices	105	114	137	176	194	206	(231)
Barter terms of trade . .	126	128	206	380	375	392	(372)
Income terms of trade .	148	171	306	552	485	565	(517)
<i>Non-petroleum</i>							
Export prices	106	123	169	182	183	222	(249)
Import prices	105	114	137	176	194	206	(231)
Barter terms of trade . .	101	108	123	103	95	108	(108)
Income terms of trade .	126	135	144	102	95	81	(84)

Sources: United Nations, *Monthly Bulletin of Statistics*, February and May 1979, and national sources.

Key: Barter terms of trade: ratio of export to import prices. Income terms of trade: barter terms of trade times export quantum index.

Notes: ^a Export and import prices are merchandise unit values.

^b Figures in parentheses calculated from incomplete data.

^c Year ending June; Prior to 1972 includes Bangladesh.

comprised of manufactured goods, which are subject to a variety of tariff and non-tariff restrictions, the issue of the increased incidence of protectionism by the developed industrial countries is a matter of grave concern for this region (see table 33). In particular, it is the non-tariff measures encapsulated in agreements and described as "voluntary export restrictions" (VERs) and "orderly marketing arrangements" (OMAs) which are profoundly disturbing. These apply particularly to commodity groups such as textiles, clothing and footwear, which are of prime importance to developing ESCAP countries; they also are now being extended increasingly to other more complex forms of manufacturing, including electronic goods, ships and steel products.

198. These non-tariff measures are more restrictive to the volume of imports than other more conventional forms of restriction. By circumventing GATT they apply specifically with respect to the source of the good and inhibit trade with new sources of supply. They lead quickly to cartelization and to other forms of interference with competition. What often commenced as bilateral restrictions expands into multilateral agreements to restrict trade, expressed in such deceptive terms as "organized free trade".

199. An examination of the Multi-Fibre Arrangement (MFA), which was re-negotiated with individual exporting countries in 1977 is instructive. First, what was originally seen as a framework within which trade might take place, has degenerated in practice to the imposition of additional rules, most of which fail to safeguard the interests of the developing exporting countries. What was earlier seen as a transitional arrangement to facilitate structural adjustment within the European Economic Commu-

nity (EEC) has acquired characteristics of permanence and has inexorably evolved as a system to protect the interests of each small subsector. The number of categories restrained by EEC had grown from 60 to 133 by the time of the latest round of negotiations.

200. The system frequently operates to penalize new entrants, which are often low-income developing countries. In the ESCAP region Sri Lanka is such a country that has been denied the opportunity to develop its comparative advantage. Advantage has been taken during the working of the MFA to extend the list of so-called "dominant suppliers" in a manner which has penalized low-income countries such as India. Furthermore, the negotiating structure of OMAs like the MFA in which a larger number of suppliers negotiate bilaterally with a major consumer, tends to fragment the bargaining power of the developing country exporters. In practice, the success of one developed country in protecting jobs for its workers is used by vested interests in other developed countries to exact similar favourable discriminatory treatment often at the expense of some of the world's poorest countries. At the same time, virtually nothing is being done to restructure these industries in a manner which is consistent with the welfare of both developed and developing countries.

201. Other areas in which the developing countries have exhibited their comparative advantage are now increasingly subject to non-tariff measures of protection. The United States signed VERs covering footwear with the Republic of Korea in mid-1977 and in late 1977 Australia and Canada imposed quotas. More recently, EEC introduced surveillance licensing and requested east Asian suppliers not to export more shoes to the Community. There is increased

Table 33. Trade barriers to developing countries' exports of manufactures

<i>Product category</i>	<i>Tariffs</i>	<i>Non-tariff barriers</i>
Industrial raw material (ores, fibres etc.)	Very low (about 2 per cent); majority enter duty free	Rarely exist except in fuels
Relatively unprocessed food products	Very low to low (3-8 per cent) not counting variable levies	Very common, often high (where food products are non-tropical, competing items)
Processed food products	Generally low to intermediate (6-13 per cent); high in tobacco, liquor	Very common, often high
Most industrial products	Low (7-10 per cent)	Very high
Textiles and clothing	Relatively high (fabrics 18 per cent, clothing 25 per cent)	Numerous, serious and increasing
Other LDC manufactured specialties	Intermediate (generally 11-17 per cent)	Increasingly frequent

Source: International Bank for Reconstruction and Development, *Trade Liberalization and Export Promotion*, June 1977.

critical comment in the United States and EEC regarding electrical and electronic consumer goods produced in Hong Kong, Malaysia and Singapore. In the United Kingdom, both Japan and Singapore have accepted VERs in these areas.

202. Some developing ESCAP countries such as India and the Republic of Korea have developed relatively capital-intensive exports on the basis of local raw materials and standardized technology. In both the United States and EEC there are ominous indications that these new and desirable growth industries in such activities as shipbuilding, steel products, transport equipment, chemicals and petrochemicals will be subject to protectionist devices.

203. For various technical reasons it is difficult to quantify the adverse impact which these non-tariff measures have had on trade. The MFA alone, however, covers some \$US50,000 million of trade. A rough estimate by GATT suggests trade of at least equivalent value in other areas is also affected. If urgent steps are not taken to reverse protectionist trends the potential of the developing countries to generate increases in their manufactured exports will be seriously impaired.

204. Apart from urgently needed measures at the international level, developing ESCAP countries can initiate policy actions to modify the effects of protectionism. Sometimes, domestic supply constraints deter the growth of manufactured exports. Unhelpful exchange rates, tax and foreign investment regulations are examples. Middle-income developing countries, such as those found in east and southeast Asia, could reduce protection in their own markets. All countries need to explore ways of diversifying exports; especially in the more complex forms of industrial production, such as engineering goods, this involves specialization in selected product lines.

2. Balance of payments and external resources

205. Major developments in the international economy, including the commodity boom of 1972-1973, the oil price increase of 1973-1974, the recession of 1974-1975 and the subsequent recovery in 1976-1977 affected in varying degrees the flow of financial resources between the developing ESCAP countries and the rest of the world.

(a) Balance of payments overview

206. The balance of payments positions of the developing countries of the ESCAP region are typically in deficit in both merchandise trade and the current account. However, the basic balance of the balance of payments (including official and private

long-term capital flows but excluding most short-term capital flows) shows that for the developing countries of the ESCAP region fairly generally, the inflow of long-term foreign financial resources has been more than sufficient to allow persistent deficits on current account during the 1970s.⁵⁹

207. Because of the greater variability of short-term capital flows (including errors and omissions), however, the over-all balance has shown a less uniform pattern among the countries surveyed over the 1970s. As a result, the patterns of change in international financial reserves have been quite varied among countries and over time. Reserves have generally declined during the 1970s for Bangladesh, Burma, Pakistan and Samoa. Continuously increasing reserves have been recorded for Afghanistan (since 1972), Iran, Malaysia and Singapore, while for Fiji, Indonesia and Papua New Guinea the general rise was interrupted in only a single year. General increases with intermittent declines characterized the reserve movements of the Philippines, the Republic of Korea, Sri Lanka and Thailand. Though India's reserves fell in 1972 and 1973, they have risen markedly from 1974 to 1977.

208. A more general view of developments in the capital accounts of the balance of payments during recent years can be gained from a survey of patterns among subregional groups (see table 34). Although the patterns of change in the balance of payments for the two major oil exporters are quite dissimilar, they also differ importantly from the rest and have therefore been shown separately. Their individual patterns can be seen in table 35. Among the subgroups the patterns of current accounts deficits are broadly similar but those of the capital accounts have differed markedly over the 1970s. It will be noted that official capital inflows have tended to be divided fairly evenly between south and southeast Asia; private long-term capital inflows have been concentrated largely in the east and southeast Asian subregion; the concentration is even greater when the Indonesian data are included. Short-term capital inflows up to 1974 were also concentrated in east and southeast Asia. Reserves have risen markedly in east and southeast Asia, while in south Asia aggregate reserves recovered from the losses of 1974 with the bulk of the increase attributable to India in 1976. Though India's foreign reserves continued to expand in 1977, data are not available to show this in the table. Of particular concern in south

⁵⁹ The major exceptions — countries for which the basic balance has been persistently weak — have been Burma, Fiji, Pakistan and Samoa. Primary products exporters, such as Burma and Fiji but also Sri Lanka and Thailand, recorded fairly satisfactory basic balances prior to the collapse of the commodities export boom and the sharp rise in petroleum prices. As an international financial centre, Singapore is entirely exceptional.

Asia is the decline in inflows of official capital and transfers in 1976 after four years of uninterrupted growth, though the decline in 1977 is overstated in table 34 due to the lack of data for India. In southeast Asia the major shift reflected in these data is the sharp drop in the inflow of short-term capital in 1975. The great rise in short-term capital outflow from the oil exporting countries in 1974 is largely attributable to Iran while its continuation in 1975 stems from Indonesia in connexion with the Pertamina crisis. In the Pacific the decline in private long-term capital inflows is a matter of more abiding concern.

(b) Exchange rates

209. Movements in the exchange rates of the developing countries of the ESCAP region are set out in table 36. In part, movements in the rates reflect changes within the developing countries which affect their competitive position on world markets. The major influence, however, has been the marked structural shifts in the world economy which together with varying rates of inflation in the developed industrial economies has caused the latter to adjust exchange rates and in some cases by large amounts.

Depending upon the closeness of their trading and financial ties with the currency concerned, the developing countries of the ESCAP region have often been required to follow suit.

210. In some of the low-income developing countries of the region the choice of an exchange rate policy has become increasingly complex. Generally a pegged rate is preferred because it is believed to encourage price stability, to foster confidence in the financial policies of the government, to encourage investment and facilitate planning. Where the rate is pegged to a single currency, however, increased variability between that currency and others is likely to alter the developing country's effective exchange rate together with the local currency prices of imports and exports. Short-term fluctuations between the major currencies may mean that the developing country's exchange rate responds more to the external position of the country with which its currency is pegged than to its own domestic and balance of payments situation. One solution is to peg in terms of a basket of several economies. Although this is often administratively difficult, recourse to this solution has been taken by an increasing number of developing countries in the region.

Table 34. Developing ESCAP region: major capital account components of the balance of payments, 1972-1977, by subregion (\$US million)

	1972	1973	1974	1975	1976	1977
<i>Non-oil exporters</i>						
<i>South Asia^a</i>						
Official capital and transfers . . .	762	1,346	2,666	3,079	2,944	1,699 ^b
Private long-term capital . . .	20	-16	-1	25	2	15
Short-term capital and errors and omissions . . .	-94	4	-127	-335	-342	47
Change in reserves (- = increase)	-14	-5	202	-96	-2,416	-212 ^b
<i>Southeast and East Asia^c</i>						
Official capital and transfers . . .	941	902	1,694	2,199	2,718	2,607
Private long-term capital . . .	533	774	1,478	1,474	1,391	1,470
Short-term capital and errors and omissions . . .	796	696	2,312	1,624	169	-96
Change in reserves (- = increase)	-969	-1,814	-1,385	-790	-2,445	-1,959
<i>Pacific^d</i>						
Official capital and transfers . . .	289	168	242	337	235	267
Private long-term capital . . .	28	107	68	52	37	46
Short-term capital and errors and omissions . . .	-61	-129	-133	-36	-12	-22
Change in reserves (- = increase)	-20	-92	-134	-31	-82	-126
<i>Oil exporters^e</i>						
Official capital and transfers . . .	901	1,186	-1,704	-1,233	-666	. 830
Private long-term capital . . .	298	576	275	617	1,088	1,037
Short-term capital and errors and omissions . . .	472	-983	-3,719	-3,719	-2,891	-2,479
Change in reserves (- = increase)	-896	-406	-7,714	747	-1,342	-4,403

Sources: International Monetary Fund, *International Financial Statistics*, February and April 1979; Asian Development Bank, *Key Indicators of Developing Member Countries of ADB*, vol. IX, no. 2, October 1978 (for Afghanistan).

Notes: ^a Afghanistan, Bangladesh (except 1972), Burma, India (except 1977), Pakistan, Sri Lanka.

^b Understates the total due to lack of data for India in 1977.

^c Malaysia, Philippines, Republic of Korea, Singapore, Thailand.

^d Fiji, Papua New Guinea, Samoa (except 1977).

^e Indonesia, Iran.

Table 35. Selected developing ESCAP countries: balance of payments summaries,
1971-1977; major capital account components
(\$US million)

Country	Year	Current account balance ^a	Official capital and transfers	Private long-term capital	Basic balance	Short-term capital and E and O ^b	Over-all balance	Change in reserves (- = increase)
<i>Oil exporters</i>								
Indonesia	1971	-419	284	139	4	-6	-2	1
	1972	-384	344	207	167	240	407	-407
	1973	-530	560	15	45	294	339	-340
	1974	548	590	-49	1,089	-402	687	-688
	1975	-1,136	1,794	476	1,134	-1,992	-858	857
	1976	-923	1,933	344	1,354	-453	901	-902
	1977	-74	1,280	235	1,441	-443	998	-997
Iran	1971	-121	629	65	573	-199	374	-373
	1972	-393	557	91	255	232	487	-489
	1973	156	626	561	1,343	-1,277	66	-66
	1974	12,299	-2,294	324	10,329	-3,303	7,026	-7,026
	1975	4,725	-3,027	141	1,839	-1,727	112	-110
	1976	4,733	-2,599	744	2,878	-2,438	440	-440
	1977	5,091	-450	802	5,443	-2,036	3,407	-3,406
<i>Non-oil exporters</i>								
<i>South Asia</i>								
Afghanistan	1972	-49.6	46.1	—	-3.5	18.9	15.4	-15.4
	1973	-52.1	53.0	—	0.9	2.7	3.6	-1.8
	1974	-24.6	46.6	—	22.0	-8.2	13.8	-13.8
	1975	-38.3	41.2	—	2.9	22.4	25.3	-25.3
	1976	-54.9	91.8	—	36.9	15.9	52.8	-52.8
	1977	-48.8	96.9	—	48.1	19.7	67.8	-67.9
Bangladesh	1973	-487.1	366.8	—	-120.3	-9.4	-129.7	129.6
	1974	-716.2	620.4	—	-95.8	4.3	-91.5	91.8
	1975	-951.3	953.9	—	2.6	-4.6	-2.0	2.1
	1976	-434.9	496.5	—	61.6	10.3	71.9	-71.9
	1977	-629.1	652.3	—	23.2	-38.4	-15.2	15.3
Burma	1971	-60.6	23.2	—	-37.4	11.0	-26.4	26.4
	1972	-63.1	29.7	—	-33.4	23.3	-10.1	10.2
	1973	-76.1	80.3	—	4.3	29.8	34.1	-33.9
	1974	-20.4	53.4	—	33.0	30.7	63.7	-63.7
	1975	-94.9	55.5	—	-39.4	-5.6	-45.0	44.9
	1976	-48.5	39.1	—	-9.4	-12.8	-22.2	22.1
	1977	-112.6	79.5	—	-33.1	-3.2	-36.3	36.3
India	1971	-720	776	-1	55	67	122	-122
	1972	-228	393	3	168	-190	-22	21
	1973	-562	512	-13	-63	-50	-113	112
	1974	-819	1,072	-6	247	-266	-19	19
	1975	-221	1,013	-11	781	-424	357	-356
	1976	1,309	1,307	-8	2,608	-389	2,219	-2,218
Pakistan	1971	-597	576	1	-20	-3	-23	22
	1972	-286	228	17	-41	39	-2	1
	1973	-112	270	-4	154	29	183	-182
	1974	-981	761	4	-216	66	-150	151
	1975	-1,180	860	25	-295	83	-212	212
	1976	-893	880	9	-4	40	36	-36
	1977	-837	740	16	-81	66	-15	15
Sri Lanka	1971	-54.1	85.4	0.3	31.6	-21.1	10.5	-10.4
	1972	-49.3	64.9	0.4	16.0	14.7	30.7	-30.8
	1973	-38.1	64.2	0.5	26.6	1.9	28.5	-28.5
	1974	-178.1	112.7	1.3	-64.1	46.0	-18.1	18.2
	1975	-186.6	155.6	10.6	-20.4	-6.5	-26.9	26.7
	1976	-64.3	129.8	0.6	66.1	-6.1	60.0	-59.9
	1977	78.1	130.0	-1.2	206.9	3.1	210.0	-210.2

Table 35 (continued)

Country	Year	Current account balance ^a	Official capital and transfers	Private long-term capital	Basic balance	Short-term capital and E and O ^b	Over-all balance	Change in reserves (—=increase)
<i>East and southeast Asia</i>								
Malaysia	1971	—124	62	187	125	—41	84	—83
	1972	—253	131	181	59	—8	51	—49
	1973	91	86	161	338	—114	224	—223
	1974	—500	86	583	169	29	198	—197
	1975	—330	105	626	401	—338	63	—63
	1976	722	10	348	1,280	—472	808	—808
	1977	542	190	544	1,276	—962	314	—313
Philippines	1971	—34	28	—6	—12	137	125	—125
	1972	—30	172	—21	121	80	201	—202
	1973	413	141	54	608	61	669	—608
	1974	—283	300	4	21	570	591	—590
	1975	—990	487	97	—406	409	3	—4
	1976	—1,135	1,043	126	34	—87	—53	54
	1977	—849	689	219	59	—85	—26	26
Republic of Korea	1971	—911	622	56	—233	191	—42	42
	1972	—422	492	63	133	35	168	—169
	1973	—342	544	93	295	59	354	—353
	1974	—2,094	1,006	105	—983	811	—172	172
	1975	—1,954	1,358	53	—543	911	368	—368
	1976	—462	1,335	149	1,022	293	1,315	—1,314
	1977	—43	1,309	143	1,409	—37	1,372	—1,370
Singapore	1971	—735	53	116	—566	885	319	—320
	1972	—515	29	242	—244	580	336	—337
	1973	—584	102	389	—93	504	411	—411
	1974	—1,106	76	597	—433	729	296	—295
	1975	—605	57	611	63	343	406	—407
	1976	—701	77	687	63	235	298	—298
	1977	—553	63	460	—30	321	291	—293
Thailand	1971	—212	78	39	—95	91	—4	3
	1972	—81	117	68	104	106	210	—212
	1973	—74	29	77	32	186	218	—219
	1974	—114	226	189	301	173	474	—475
	1975	—631	192	87	—352	299	—53	52
	1976	—455	253	81	—121	200	79	—79
	1977	—1,120	356	104	—660	667	9	—9
<i>Pacific</i>								
Fiji	1971	—31.3	3.8	6.5	—21.0	30.3	9.3	—9.2
	1972	—39.6	7.7	8.5	—23.4	49.1	25.7	—25.7
	1973	—63.9	6.7	18.2	—39.0	47.2	8.2	—8.2
	1974	—33.3	4.0	16.6	—12.7	46.6	33.9	—33.9
	1975	—26.8	1.7	17.2	—7.9	57.8	49.9	—49.9
	1976	—52.3	20.7	—	—31.6	9.3	—22.3	22.3
	1977	—32.3	39.2	—	6.9	9.7	16.6	—16.7
Papua New Guinea	1972	—184.1	272.9	19.1	107.9	—111.3	—3.4	3.4
	1973	20.5	151.1	88.9	260.5	—175.3	85.2	—85.2
	1974	—4.9	227.8	51.5	274.4	—175.0	99.4	—99.5
	1975	—276.4	317.1	34.5	75.2	—93.1	—17.9	18.0
	1976	—109.2	200.6	37.2	128.6	—22.9	105.7	—105.6
	1977	—132.7	227.6	46.0	140.9	—31.4	109.5	—109.5
Samoa	1971	—3.43	3.72	—	0.29	0.44	0.73	—0.73
	1972	—12.69	8.55	—	—4.14	1.63	—2.51	2.51
	1973	—11.54	10.51	—	—1.03	—0.46	—1.49	1.49
	1974	—4.09	9.95	—	5.86	—4.95	0.91	—0.91
	1975	—18.73	18.65	—	—0.08	—0.65	—0.73	0.73
	1976	—16.81	13.51	—	—3.30	1.55	—1.75	1.75

Sources: International Monetary Fund, *International Financial Statistics*, February and April 1979; for Afghanistan: Asian Development Bank, *Key Indicators of Developing Member Countries of ADB*, vol. IX, no. 2, October 1978.

Notes: ^a Excludes official transfers.

^b Errors and omissions.

Minor discrepancies due to rounding.

Table 36. Selected developing ESCAP economies: changes in rates of exchange of national currencies per SDR unit (end of year)

Country or area and currency unit	National currency per SDR unit 1970	Percentage change in exchange rate ^a						
		1971	1972	1973	1974	1975	1976	1977
Afghanistan (Afghani) .	45.000	8.6	—	11.1	1.5	—4.4	—0.8	4.5
Bangladesh (Taka) . .	8.068 ^b	—	8.7	12.8	—	75.5	0.1	0.6
Burma (Kyat) . . .	4.802	23.7	—1.2	—	0.4	31.5	—	9.9
Fiji (Fiji dollar) . .	0.873	1.8	3.0	6.6	0.3	3.2	8.3	—3.3
Hong Kong (\$HK) ^c .	6.060	—	1.2	0.2	—2.1	—2.0	—7.8	3.3
India (Rupee) . . .	7.509	4.3	11.0	12.8	0.8	5.8	—1.4	—3.4
Indonesia (Rupiah) . .	378.000	19.2	—	11.1	1.5	—4.4	—0.8	4.5
Iran (Rial)	76.380	8.6	—	—1.6	1.5	—0.7	—	4.1
Malaysia (Ringgit) . .	3.078	1.8	—2.4	—3.3	—4.3	7.0	—2.8	—2.4
Nepal (Rupee) . . .	10.125	8.6	—	15.9	1.5	13.2	—0.8	4.5
Pakistan (Rupee) . .	4.803	8.3	130.1	—	1.5	—4.4	—0.8	4.5
Philippines (Peso) . .	6.443	8.6	5.4	10.3	6.5	1.5	—1.7	3.7
Republic of Korea (Won)	316.650	28.0	6.9	10.7	23.6	—4.4	—0.8	4.5
Samoa (Tala)	0.721	4.7	—0.3	—	1.5	20.9	3.5	—2.2
Singapore								
(Singapore dollar) . .	3.080	2.2	—2.8	—2.0	—5.6	3.0	—2.1	—0.4
Sri Lanka (Rupee) . .	5.958	8.6	12.4	11.9	0.7	10.2	13.6	84.3
Thailand (Baht) . . .	20.928	8.6	—	8.2	1.5	—4.3	—0.8	4.5
(United States) ^d (Dollar)	1.000	8.6	—	11.1	1.5	—4.4	—0.8	4.6

Source: International Monetary Fund, *International Financial Statistics*, 1977, 1978, various issues.

Notes: ^a Minus sign indicates appreciation of national currency vis-à-vis SDR unit. Absence of sign indicates depreciation vis-à-vis SDR unit.

^b 1971.

^c *Statistical Yearbook for Asia and the Pacific*, 1976 (United Nations publication, Sales No. E/F.77.II.F.8); Hong Kong, *Review of Overseas Trade*, 1977 (App. 26).

^d Included for comparison.

3. Developments in the volume and composition of external indebtedness

211. External indebtedness may be examined in terms of official and private flows on the one hand and in terms of long-term and short-term flows on the other. However, the available data on both official and private financial resource flows to the developing countries of the ESCAP region (table 37) contain non-debt elements. In the case of private flows the non-debt component can readily be isolated because it is distinguished as direct investment. In the case of official flows, however, the non-debt (or grant) element is not readily identifiable because of the complexities of both bilateral and multilateral loan arrangements.⁶⁰ External indebtedness will therefore be considered here as total official flows plus private flows net of direct investment.

212. From 1970-1976 (beginning in 1971 for Bangladesh) official financial resource inflows into the 11 developing countries included in table 37 amounted to nearly \$US 110,000 million, of which approximately 88 per cent went to south Asia. In contrast, the five south Asian countries covered encoun-

tered a collective outflow of over \$US 273 million in private debt (that is, on balance they acted as private international creditors) while the other six countries (especially Indonesia) were major private international borrowers, with an aggregate private debt inflow of some \$US 3,700 million.

213. The composition of net financial inflows to these countries is shown in table 38. In the south Asian countries the dominance of official inflows is apparent; approximately three quarters of these official inflows on average have been on a bilateral

⁶⁰ The OECD estimates of the grant element implicit in official financial flows to individual developing countries of the ESCAP region are not available at this writing.

Grouped data, summarized as shown below, reflect a distinct decline in the grant element of total loans and grants, which is much more pronounced in the subgroup including southeast and east Asia and the Pacific:

	Grant element of loans and grants (percentage) (annual averages)		
	1965-1970	1971-1973	1974-1976
South Asia . . .	70	67	63
Southeast/east Asia and Pacific	44 ^a	37	18

Source: International Bank for Reconstruction and Development, *Annual Report*, 1973 and 1978, annex table 9.

Note: ^a Adjusted for differences in coverage.

Table 37. Selected developing ESCAP countries: net financial resource flows from DAC and OPEC countries and multilateral agencies, 1970-1976

(\$US million)

		Official bilateral flows					Official multi- lateral flows ^c	Total official flows	Private flows ^a			Total private flows
		ODA ^a		Other ^b		Total			Direct invest- ment	Commercial borrowing		
		DAC	OPEC	DAC	OPEC					Bonds ^e	Credits ^f	
Bangladesh	1970	—	—	—	—	—	—	—	—	—	—	—
	1971	9.4	—	—	—	9.4	6.0	15.4	—	—	—	—
	1972	199.7	—	—	—	199.7	24.1	223.8	0.1	—	-1.9	-1.8
	1973	307.8	—	—	—	307.8	119.9	427.7	2.4	0.3	11.9	14.6
	1974	344.2	35.8	—	—	380.0	143.0	522.0	2.2	-4.6	10.0	7.6
	1975	703.9	61.2	0.4	—	765.5	308.4	1,073.9	—	—	-9.9	-9.9
	1976	319.8	11.0	4.6	—	335.4	199.0	534.4	—	0.1	—	0.1
Burma	1970	20.5	—	10.0	—	30.5	0.1	30.6	—	-0.8	9.0	8.2
	1971	38.2	—	9.0	—	47.2	0.4	47.6	0.1	—	1.3	1.4
	1972	40.3	—	4.2	—	44.5	2.0	46.5	0.3	-0.8	5.2	4.7
	1973	66.9	—	-0.7	—	66.2	1.7	67.9	—	0.3	16.5	16.8
	1974	60.0	—	-1.4	—	58.6	5.2	63.8	1.0	1.4	-0.7	1.7
	1975	29.2	—	-1.4	—	27.8	26.6	54.4	3.3	0.1	-9.0	-5.6
	1976	39.2	—	-1.4	—	37.8	30.3	68.1	—	0.1	3.4	3.5
India	1970	725.5	—	-3.4	—	749.1	74.0	823.1	42.5	-3.4	-23.1	16.0
	1971	848.2	—	-6.8	—	841.4	154.2	995.6	46.7	33.0	-26.5	53.2
	1972	445.6	—	-19.9	—	425.7	166.7	592.4	18.8	-1.8	-23.6	-6.6
	1973	456.7	—	-55.3	—	401.4	311.8	713.2	40.9	-37.9	-5.0	-2.0
	1974	602.2	235.0	-36.2	—	801.0	508.1	1,309.1	52.0	-15.1	-31.4	5.5
	1975	819.6	203.7	-32.6	—	990.7	669.2	1,659.9	85.3	-10.1	-41.9	33.3
	1976	725.3	499.5	-43.6	—	1,181.2	606.8	1,788.0	18.6	7.4	-7.2	18.8
Indonesia	1970	449.1	—	44.0	—	493.1	16.2	509.3	49.4	9.6	-38.8	20.2
	1971	547.1	—	-17.5	—	529.6	45.0	574.6	117.1	19.6	-10.0	126.7
	1972	450.1	—	71.6	—	521.7	59.7	581.4	89.5	63.7	-74.9	78.3
	1973	518.4	—	40.5	—	558.9	112.8	671.7	348.0	41.8	167.2	557.0
	1974	539.8	0.1	54.6	1.0	595.5	147.6	743.1	182.1	30.4	93.4	305.9
	1975	526.8	—	73.4	—	600.2	224.0	824.2	1,288.9	75.7	438.2	1,802.8
	1976	523.8	7.0	224.8	21.8	777.4	312.6	1,090.0	745.8	301.7	565.9	1,613.4
Malaysia	1970	22.9	—	1.2	—	24.1	20.3	44.4	37.5	-0.2	8.1	45.4
	1971	38.0	—	4.7	—	42.7	19.3	62.0	32.1	-12.6	-12.5	7.0
	1972	45.5	—	25.5	—	71.0	32.2	103.2	64.6	0.5	43.7	108.8
	1973	39.0	—	11.1	—	50.1	27.7	77.8	139.2	-1.6	7.2	144.8
	1974	63.0	—	-0.7	—	62.3	55.2	117.5	112.6	3.3	25.3	141.2
	1975	89.9	1.1	2.3	1.9	95.2	68.8	164.0	72.5	-3.2	82.1	151.4
	1976	57.2	1.5	11.4	3.4	73.5	81.6	155.1	51.4	17.8	-7.9	61.3

Table 37 (continued)

		Official bilateral flows					Official multi- lateral flows ^c	Total official flows	Private flows ^a			Total private flows
		ODA ^a		Other ^b		Total			Direct invest- ment	Commercial borrowing		
		DAC	OPEC	DAC	OPEC					Bonds ^e	Credits ^f	
Pakistan	1970	384.5	—	0.9	—	385.4	86.4	471.8	3.6	—20.2	39.7	23.1
	1971	360.7	—	18.1	—	378.8	74.8	453.6	—0.3	—10.9	19.2	8.0
	1972	274.7	—	—23.3	—	251.4	12.6	264.0	—1.3	22.6	—17.9	3.4
	1973	207.9	—	—9.4	—	198.5	36.0	234.5	—0.3	0.5	—57.2	—57.0
	1974	265.2	328.3	50.8	11.5	655.8	99.1	754.9	1.1	—3.7	11.4	8.8
	1975	375.1	421.2	—45.2	37.2	788.3	140.0	928.3	6.0	—7.7	—84.0	—85.7
	1976	352.2	821.3	18.8	19.5	1,211.8	162.0	1,373.8	—0.8	1.0	6.9	7.1
Papua New Guinea . .	1970	146.3	—	17.0	—	163.3	2.1	165.4	129.6	12.4	14.8	156.8
	1971	140.0	—	16.7	—	156.7	6.8	163.5	47.5	—11.5	48.5	84.5
	1972	189.4	—	5.0	—	194.4	12.1	206.5	85.9	11.8	24.3	122.0
	1973	192.9	—	3.0	—	195.9	12.0	207.9	111.9	22.6	—6.8	127.7
	1974	257.5	—	—	—	257.5	17.2	274.7	72.7	9.8	—18.6	63.9
	1975	297.5	—	—	—	297.5	20.6	318.1	—2.2	10.1	—28.7	—20.8
	1976	232.9	—	—12.0	—	220.9	13.1	234.0	49.0	0.5	—1.8	47.7
Philippines	1970	41.3	—	87.1	—	128.4	17.5	145.9	—3.0	33.3	140.1	170.4
	1971	63.7	—	47.0	—	110.7	26.3	137.0	16.6	—67.9	44.2	—7.1
	1972	156.7	—	16.7	—	173.4	21.9	195.3	14.1	18.1	—0.8	31.4
	1973	213.7	—	16.9	—	230.6	42.3	272.9	60.3	0.8	—58.2	2.9
	1974	132.9	—	1.1	—	134.0	78.8	212.8	139.8	—25.6	49.0	166.1
	1975	160.0	—	—7.3	—	152.7	140.2	292.9	116.7	9.8	—18.1	108.4
	1976	161.0	—	75.5	—	236.5	143.8	380.3	151.7	375.0	162.7	689.4
Republic of Korea . .	1970	268.1	—	58.7	—	326.8	19.6	346.4	14.1	—43.3	94.2	65.0
	1971	305.3	—	61.6	—	366.9	63.0	429.9	32.1	39.4	59.3	130.8
	1972	351.5	—	37.8	—	389.3	77.7	467.0	66.6	13.7	11.7	92.0
	1973	262.8	—	73.6	—	336.4	103.5	439.9	260.7	—35.5	106.5	331.7
	1974	220.7	—	9.3	19.1	349.1	155.7	404.8	81.5	23.9	78.9	184.3
	1975	213.3	—	220.0	—	433.3	330.7	764.0	51.4	109.4	151.7	312.5
	1976	181.1	—	143.4	26.7	351.2	416.7	767.9	83.2	91.6	338.4	513.2
Sri Lanka	1970	43.3	—	6.9	—	50.2	6.7	56.9	—0.5	0.1	2.7	2.3
	1971	46.6	—	—4.3	—	42.3	13.5	55.8	0.2	0.9	2.7	3.8
	1972	49.0	—	4.1	—	53.1	11.0	64.1	0.1	5.4	—7.1	—1.6
	1973	42.2	—	10.1	—	52.3	31.0	83.3	—0.2	—5.3	—12.4	17.9
	1974	58.2	—	—6.4	21.0	72.8	24.7	97.5	6.8	5.8	7.3	19.9
	1975	100.0	23.0	—5.8	40.0	157.2	54.2	211.4	—33.3	0.2	—30.8	—63.9
	1976	94.9	22.0	—5.7	—	111.2	40.0	151.2	0.2	—0.9	12.4	11.7
Thailand	1970	69.5	—	24.8	—	94.3	32.1	126.4	13.7	10.2	49.4	73.3
	1971	57.7	—	2.7	—	60.4	17.6	78.0	7.9	—5.6	—19.6	—17.3
	1972	48.2	—	—20.4	—	27.8	24.5	52.3	20.7	—3.1	—24.2	—6.6
	1973	55.8	—	—29.6	—	26.2	32.5	58.7	19.8	6.9	121.5	148.2
	1974	63.5	—	0.1	—	63.6	43.4	165.7	44.1	—3.9	—6.2	34.0
	1975	73.5	—	0.3	—	73.8	85.7	159.5	18.6	0.1	11.7	30.4
	1976	70.8	75.6	—6.3	—	140.1	90.8	230.9	16.4	—8.4	—35.8	27.8

Sources: Asian Development Bank, *Key Indicators of Developing Member Countries of ADB*, vol. IX, No. 1, April 1978, tables 28, 29, 31, 32, 33 (derived from OECD, IBRD, and IMF sources).

Notes: ^a Official development assistance.

^b Other official flows.

^c Includes IBRD, IDA, IFC, ADB, EEC and United Nations agencies.

^d DAC countries only.

^e Private long-term lending other than direct investment.

^f Guaranteed private export credits.

Table 38. Selected developing ESCAP countries: composition of net financial inflows from DAC and OPEC countries and multilateral agencies, 1970-1976
(percentages)

	Official flows			Direct investment	Private flows			Total	
	Bilateral	Multilateral	Total		Commercial borrowing		Total		
					Bonds	Credits			
South Asia									
Bangladesh	71.1	28.5	99.6	0.2	—0.2	0.4	0.4	100.0	
Burma	76.3	16.2	92.5	1.0	0.3	6.2	7.5	100.0	
India	67.4	31.1	98.5	3.8	—0.3	—2.0	1.5	100.0	
Pakistan	88.3	13.8	102.1	0.2	—0.5	—1.8	—2.1	100.0	
Sri Lanka	81.6	24.6	106.2	—3.5	0.8	—3.4	—6.1	100.0	
Southeast and east Asia and Pacific									
Indonesia	43.1	9.6	52.7	29.6	5.7	12.0	47.3	100.0	
Malaysia	30.6	21.9	52.5	36.7	0.3	10.5	47.5	100.0	
Papua New Guinea .	69.1	3.9	73.0	22.9	2.6	1.5	27.0	100.0	
Philippines	41.7	16.8	58.5	17.8	12.3	11.4	41.5	100.0	
Republic of Korea .	47.1	22.1	69.2	11.1	3.7	16.0	30.8	100.0	
Thailand	46.5	31.1	77.6	13.6	—0.4	9.2	22.4	100.0	

Source: Table 37.

Note: Data rounded to total 100 per cent.

Table 39. Selected developing ESCAP countries:
external public debt outstanding, end-1976

	Total ^a (\$US million)	Bilateral official	Multilateral	Suppliers	Banks	Other	Disbursed (percentage of total debt)	Expansion ratio 1971-1976 ^b
				(percentages)				
South Asia								
Afghanistan	1,748.5	88.5	9.5	2.0	—	—	52.1	2.4
Bangladesh	2,858.2	62.3	31.9	4.9	0.9	—	68.1	...
Burma	676.7	51.6	43.8	4.6	—	—	45.2	...
India	16,468.2	65.1	32.4	1.9	0.6	—	80.7	1.6
Nepal	236.5	24.0	75.8	0.3	—	—	18.7	...
Pakistan	7,381.2	75.2	21.3	2.0	1.5	—	80.9	1.6
Sri Lanka	1,102.7	70.3	18.2	11.5	—	—	63.7	1.8
Total	30,471.9	68.2	28.4	2.6	0.8	—	76.1	
Southeast and east Asia and Pacific								
Fiji	87.5	38.6	48.2	7.5	—	5.7	65.1	...
Indonesia	14,481.5	48.4	13.5	11.8	23.3	2.9	68.5	3.3
Malaysia	3,200.4	13.2	19.2	0.1	32.1	1.2	33.6	4.1
Papua New Guinea	335.8	3.8	36.9	1.0	3.4	54.9	86.1	...
Philippines	4,268.5	27.4	28.5	3.9	29.8	10.4	49.8	4.4
Republic of Korea	10,214.4	31.7	18.1	18.3	28.3	3.6	65.6	3.4
Singapore	935.4	22.1	25.9	23.0	3.2	25.9	74.6	...
Thailand	1,618.9	27.3	63.1	1.1	8.6	—	50.8	3.0
Total	38,676.9	36.6	19.9	11.3	26.5	5.7	63.3	

Source: International Bank for Reconstruction and Development, *Annual Report*, 1973 and 1978, annex table 5.

Notes: ^a Including undisbursed debt.

^b Ratio of total debt at end-1976 to total debt at end-1971.

rather than a multilateral basis. The southeast and east Asian and Pacific countries show a contrasting pattern with between about half and three quarters of their total financial resource inflows consisting of official capital, of which between about three fifths and four fifths has consisted of bilateral capital.⁶¹

214. With respect to private financial resource inflows, there is also a clear contrast between south Asia and the other ESCAP countries surveyed. Private long-term borrowing and guaranteed credits constituted very small fractions of total private inflows and in some cases appear as net outflows in south Asia. In the other countries, however, private long-term borrowing constituted a significant fraction of total foreign indebtedness (particularly for the Philippines), and guaranteed credit arrangements were of major importance in each of the countries surveyed except for Papua New Guinea.

215. Though this section deals with foreign financial resource flows, it is nevertheless useful to review briefly the situation with respect to outstanding stocks of indebtedness existing in the developing countries of the ESCAP region. External public debt outstanding at the end of 1976 is summarized in table 39 for seven south Asian and eight southeast and east Asian and Pacific countries. These 15 countries had a total of \$US 69,200 million in foreign debt outstanding at the end of 1976. The four largest debtors were India (with 24 per cent of this total), Indonesia (21 per cent), the Republic of Korea (15 per cent) and Pakistan (11 per cent).

216. In south Asia over 96 per cent of the outstanding debt was from official creditors, 68 per cent alone being on a bilateral basis. In the other countries less than three fifths of total debt outstanding was from official sources, with over three fifths of the remaining portion coming from the international private banking community (in contrast to less than 1 per cent in south Asia).

217. Both in south Asia and in the other countries surveyed, there appears to have been a persistent retardation in the absorption of substantial inflows of external financial resources. This is reflected in the fact that in south Asia nearly one quarter and in the other countries nearly two fifths of the total foreign debt outstanding remained undisbursed at the end of 1976.⁶² Though some lag in the utilization of credit is unavoidable, an increase in the proportion which remains undisbursed suggests an increasing measure of inefficiency in the use of financial resources. Given the long gestation periods of most capital investment projects and the limited contribution to future foreign-exchange earnings of many of the projects financed by borrowing abroad, the servicing of this debt in future years involves issues

not only of economic viability, but also of equity in the distribution of the burden of servicing and repayment.

218. Debt service ratios provide only a rough indication of the burden of external debt upon the debtor country in terms of its export capacity to bear the current service costs. Rather more enlightening is the change in the debt service ratio over a period of time. As reflected in the averages shown in table 40, debt service ratios generally showed a tendency to rise in the early 1970s in comparison with the last half of the 1960s (actually the six-year period, 1965-1970, inclusive). During the period 1974-1976 there appears a slight tendency for the ratios generally to decline if the comparison is restricted to the countries for which data were available in both periods, 1971-1973 and 1974-1976.

219. Apart from the palpably higher ratios among the south Asian economies than for the rest in all three periods,⁶³ there are clearly differing patterns of change for the two groups during the 1970s. Whereas the ratios for the south Asian group (excepting Nepal and Sri Lanka) generally declined between 1971-1973 and 1974-1976, four of the eight countries in the remaining group experienced increasing ratios between these periods. In part this difference stems from the scale factor: the lower levels of debt and of debt service ratios permitted greater scope for expansion of external debts and, as the final column in table 39 reveals, all recorded expansion ratios were greater among the southeast and east Asian group. Indonesia, a special case in more than one sense (*vide* the Pertamina oil company crisis), and the Republic of Korea are apparent exceptions. Whether in a period of general and continuing inflation the size of a country's external debt constitutes a lesser burden than it might under conditions of relatively stable prices is perhaps a moot point. Rather more important are the prospects for future export earnings. In the circumstances of the waning 1970s decade, while the industrial countries have yet to demonstrate their capability—or willingness—to overcome their apparently chronic stagflation, they have also permitted significant moves towards protectionism. Whatever lightening of the nominal burden of debt may

⁶¹ Except for Papua New Guinea, for which nearly 95 per cent of official inflows were bilateral.

⁶² These undisbursed shares appear to have been significantly larger for both groups of countries and for most of the individual countries than were the corresponding proportions at the end of 1971 (*cf.* International Bank for Reconstruction and Development, *Annual Report*, 1973, table 5).

⁶³ Nepal and Sri Lanka (1965-1970) are clear exceptions in the south Asian group; the ratios for Indonesia and the Republic of Korea, though they are relatively high among the group of southeast and east Asian countries, fall below the median levels of the south Asian group in all three periods.

be derived from chronic inflation, the undeniable impact of increasing protectionism coupled with the slow-down in the rate of trade expansion which stems from low rates of growth in real product surely constitute a greater threat to the capacity of the developing countries to sustain the burden of increased external debt in the medium-term future.

Table 40. Selected developing ESCAP countries: debt service ratios,^a 1960s and 1970s (annual average percentages)

	1965-1970	1971-1973	1974-1976
<i>South Asia</i>			
Afghanistan ^b	19.0	21.0	10.8
Bangladesh	...	...	12.4
Burma ^b	...	19.9	15.7
India ^{b,c}	19.6	21.9	14.2
Nepal	...	1.4	2.9
Pakistan ^{c,d}	20.0	19.7	17.3
Sri Lanka	5.6	12.4	17.5
<i>Southeast and east Asia and the Pacific</i>			
Fiji	...	0.8	1.8
Indonesia ^a	7.0	6.8	7.7
Malaysia	2.0	2.5	3.5
Papua New Guinea	...	2.2	4.0
Philippines	6.1	8.6	5.7
Republic of Korea	8.5	16.8	9.5
Singapore	0.3	0.7	0.7
Thailand	3.7	2.8	2.2

Sources: International Bank for Reconstruction and Development, *Annual Report*, 1973 and 1978, annex table 6.

Notes: ^a Debt service payments as percentage of exports of goods and non-factor services.

^b Fiscal year.

^c Export data exclude workers' remittances.

^d Prior to 1971, includes East Wing.

^e Exports of oil included on a gross basis.

4. Direct foreign investment

220. Although information concerning private direct foreign investment is both incomplete and subject to inconsistencies, particularly among the various sources of aggregated data, general patterns are nevertheless discernible and broadly indicative of what are likely to be significant changes.⁶⁴ Global figures showing both private and official flows from DAC countries (table 41) suggest divergent tendencies during the current decade. Among total DAC flows to developing countries, total private flows increased from roughly half in 1970 to fully three fifths in 1975 and 1976; this, it may be noted, occurred in the context of very large nominal increases in these flows during 1970-1974 and 1974-1975 but with both totals stagnating in 1976. Private direct investment

(again, from DAC countries only), though the nominal value had doubled between 1970 and 1974 and had risen by nearly half again in 1975, fell off sharply in 1976 to approximately the level of 1974. Concomitantly a shift was occurring within the total private flows towards a far larger share of portfolio investment and, though less pronounced, of export credit.

221. A rough comparison of the data for private inflows into the developing countries of the ESCAP region (see table 34, above, excluding Iran) suggests that the nominal rate of expansion was considerably greater for this region than for developing countries as a whole but that a slackening of the rate of inflow began in 1975 and was followed by a small decline in 1976. For total DAC private direct investment, the decline in 1976 was much greater than for total private flows. For private direct investment in the ESCAP region, the patterns of change are broadly comparable to the corresponding DAC figures; though there is a retardation in the rate of growth (nominal values) in 1975, the decline in 1976 is smaller, so that an increased share of total was reasonably well maintained.

222. Despite the limitations imposed by the lack of information which would demonstrate the comparability between the DAC global figures and those compiled for the developing ESCAP region, similar patterns have emerged; this similarity contributes to the credibility of both. Of greater substantive importance is the observable stagnation and decline, in 1976, of private long-term flows from developed to developing areas. The data of foreign private direct investment as well as total private long-term capital inflows compiled for the developing ESCAP region indicate that the decline continued in 1977,⁶⁵ except for the observation that the private investment inflow data for primary products exporters, Malaysia and Thailand in particular, but possibly

⁶⁴ The data presented in table 37 above, which purport to show private direct investment, are clearly inconsistent with national sources in several instances which it has been possible to check; for example, Indian and Indonesian official sources as well as the data given by the International Monetary Fund in *International Financial Statistics* and summarized in tables 34 and 35 above, are entirely incompatible with the private direct investment figures shown in table 37. In this section, therefore, the data in table 37 will be ignored.

For a recent study of private foreign investment in the developing ESCAP region, with data for the period 1969-1974, see "Private foreign investment", *Economic Bulletin for Asia and the Pacific*, vol. XXVII, No. 2, December 1976 (United Nations publication, Sales No. E.77.IIF.17), pp. 73-89.

⁶⁵ Data are lacking for India, Papua New Guinea, Samoa and Sri Lanka for 1977. Given the orders of magnitude of the flows into these countries in the earlier years of the 1970s, it is apparent that no figures of comparable magnitude could have altered the direction of change in the aggregate. Data for Iran have been omitted from the ESCAP totals in this connexion; Iran became a net exporter of private financial capital beginning in 1973.

Table 41. Direct investment and other financial resource flows to developing countries^a by type and source, 1970 and 1974-1976

(\$US million)

Type of flow	1970	1974	1975	1976
A. DAC bilateral				
I. Private flows, total	6,401	13,381	19,875	19,089
(a) Direct investment	3,543	7,084	10,494	7,593
(b) Bilateral portfolio investment	716	3,816	5,239	6,072
(c) Export credits	2,142	2,481	4,142	5,424
II. Official flows	6,535	10,456	12,760	12,687
Total DAC bilateral	12,936	23,837	32,635	31,776
B. International bank lending ^b	500	8,000	8,500	18,600
C. OPEC bilateral and multilateral	400 ^c	5,952	8,164	7,955
D. Socialist countries	890	1,100	840	620
E. Flows from multilateral agencies	1,784	4,650	6,423	6,743
Total	16,510	43,539	56,562	65,694
Shares of private direct investment (A.I.(a) in:		(percentages)		
Total flow	21.4	16.3	18.6	11.6
Total DAC bilateral flow (A)	27.4	29.7	32.2	23.9
Total DAC bilateral private flow (A.II)	55.4	52.9	52.8	39.8

Source: United Nations Centre on Transnational Corporations, based on Organization for Economic Co-operation and Development, *Development Co-operation* (Paris, various years), as published in *Transnational Corporations in World Development: A Re-examination* (Sales No. E.78.II.A.5), table III-42.

Notes: ^a Flows to developing countries as defined by the Development Assistance Committee (DAC), including, in addition to the developing countries in Africa, Asia, the Middle East and the western hemisphere (in accordance with the United Nations classification of countries), eight European countries and areas (Cyprus, Gibraltar, Greece, Malta, Portugal, Spain, Turkey and Yugoslavia). The total recorded net flow of resources to these countries in 1975 amounted to \$2.7 billion. Since information on the components of this flow is not available in sufficient detail to adjust the various flows so as to exclude these countries from the present table, the data are not fully comparable with aggregates for "developing countries" shown elsewhere.

^b Excluding new lending to members of OPEC which is reported by the Bank for International Settlements in its *Annual Report* for 1976-1977 to have amounted to about \$3 billion in 1975 and almost \$10 billion in 1976. The data on international bank lending have been adjusted to exclude transactions reported by individual DAC member countries in their statistics on bilateral resource flows.

^c OECD estimate of average flow in 1970-1972.

others such as Fiji and the Philippines, seem to reflect the stimulus of the commodities export boom to increase private investment. Reference to the aggregated data shows (for both private direct and other private long-term) that in nominal terms the increase in these flows to the peak-year level in 1975 was mainly attributable to the years of the boom, 1973 and 1974. Doubtless the approximate coincidence of the boom in manufactures exports also contributed to the enticement of foreign private investment in particular countries; the boom in oil exploration was certainly important in several.

223. Reference to the nominal figures is inevitably misleading, given the very considerable increase in prices of imports into developing countries from the

industrial countries, as a part of the general international inflation. To illustrate the appreciable fall in the external purchasing power of these financial inflows, an appropriate deflator is found in the index of unit values of exports of machinery and transport equipment (SITC 7) from developed to developing countries.⁶⁶ Application of this deflator to the global DAC figures and to the broadly comparable ones for the developing ESCAP region (excluding Iran), yield the patterns shown in table 42. While total DAC private flows grew at an annual rate of about 6 per cent from 1970 to 1974 and private direct investment from DAC countries to all develop-

⁶⁶ See United Nations, *Monthly Bulletin of Statistics*, June 1978, special table G.

ing countries grew slightly less rapidly, the corresponding rate of real growth for private long-term capital inflows into the developing ESCAP region expanded nearly three times as rapidly on average. Direct private investment in developing countries of the ESCAP region expanded even more rapidly. Given the paucity of private direct foreign investment in south Asian countries, this inflow was in fact directed mainly towards southeast and east Asia, with a relatively minor portion going to Pacific island economies and Pakistan. Inspection of the figures for individual countries reveals that most of this increase occurred during 1973 and 1974, during the boom in primary commodities exports, and for several countries, manufactures exports as well. The contrast in the rates of expansion of total private flows from DAC countries — more than 20 per cent in real terms in 1975 — and the virtual stagnation (again in real terms) of private long-term investment flows into developing countries of the ESCAP region must reflect the collapse of the export boom in late 1974 and 1975. The fall in both sets of figures, in nominal as well as real terms in 1976, doubtless reflects the combination of the limping recovery of the industrial economies and the collapse of the earlier upswing in petroleum exploration which had been generated by the rise in oil prices.⁶⁷

224. Frequent reference has been made in the international press and in newspapers and journals in southeast Asia to changes in individual government policies towards foreign investment as having played an important role in discouraging private direct investment in recent years. As virtually no substantive evidence can be offered to support this allegation, the point must remain moot. It is perhaps sufficient to regard the stagflation syndrome and halting recovery in most of the developed market economies as the main cause of the decline in aggregate

foreign investment in developing countries in this region and presumably elsewhere. That there are exceptions in respect of particular types of industrial investment will scarcely suffice to explain the decline in the aggregate.

225. Stocks of direct investment are understandably difficult to assess, particularly in times of rapid and continuous inflation. They are sometimes useful nevertheless as a rough check on the estimates of flows.⁶⁸ An additional attribute stems from the sub-classification of stock data by economic sector and country of origin, neither of which is generally available in flow data. The information presented in table 43 gives some indication of the shares of OPEC and selected developing economies of the ESCAP region in total stocks of foreign private direct investment in developing countries and their changes from the late 1960s to the mid-1970s. Among the ESCAP countries, the sharp increase in nominal volume (that is, at current price) for Indonesia between 1967 and 1971 can be explained in part as a statistical aberration stemming from the political as well as the monetary confusion of the former

⁶⁷ Data from seven industrial countries, all of them among the dozen largest private direct investors in developing countries in 1976, reveal that during the years of most rapid increase in their direct investment outflows, 1973-1975 (nominal), the proportion of re-invested earnings in total direct investment rose from about one third (1965-1967 and 1970-1972) to two fifths in 1973 and to nearly three fifths (57 per cent) in 1975, but fell back to about two fifths in the following year. To judge from the common pattern visible in several southeast Asian countries, this correspondence was undoubtedly characteristic of many developing countries in the ESCAP region as well. The implications, albeit not quantifiable, for the beneficial effects of foreign direct investment are apparent. United Nations Centre on Transnational Corporations, *Transnational Corporations in World Development: A Re-examination*, op. cit., tables III-43 and III-46.

⁶⁸ Unfortunately, this attribute is lost in cases in which the stock data are compiled from the cumulation of annual flow data. As will be noted, several of the figures in table 44 have this character.

Table 42. Private financial flows to developing countries,
1970 and 1974-1976 in 1970 prices
(\$US million at 1970 prices)

	1970	1974	1975	1976	1977
DAC private flows, total ^a	6,401	8,110	9,888	8,879	
(Direct investment)	(3,543)	(4,293)	(5,220)	(3,532)	
Private long-term capital inflows to developing ESCAP countries ^b . .	844	1,502	1,533	1,376	1,004
(Direct investment)	(357)	(749)	(788)	(659)	(541)
Deflator ^c	100	165	201	215	227 ^d

Sources and notes: ^a As in table 41.

^b As in table 35.

^c United Nations, *Monthly Bulletin of Statistics*, June 1978, special table G; unit value index of exports of SITC 7, machinery and transport equipment, from developed areas to developing areas.

^d Estimated from representative national sources.

Table 43. Selected developing ESCAP countries:
direct investment stock, 1967, 1971 and 1975
(US\$ thousand million)

	1967	Percentage share	1971	Percentage share	1975	Percentage share
Total	32.8	(100.0)	43.3	(100.0)	68.2	(100.0)
OPEC	9.1	(27.7)	11.6	(26.8)	15.6	(22.9)
Indonesia	0.2	(0.6)	1.0	(2.3)	3.5	(5.1)
Iran	0.7	(0.2)	0.9	(2.1)	1.2	(1.8)
Other developing economies	23.7	(72.3)	31.7	(73.2)	52.6	(77.1)
Hong Kong	0.3	(0.9)	0.6	(1.4)	1.3	(1.9)
India	1.3	(4.0)	1.6	(3.7)	2.4	(3.5)
Malaysia	0.7	(2.1)	0.9	(2.1)	2.3	(3.4)
Philippines	0.7	(2.1)	0.9	(2.1)	1.2	(1.8)
Singapore	0.2	(0.6)	0.4	(0.9)	1.7	(2.5)
Seven ESCAP economies listed above	4.1	(12.5)	6.3	(14.5)	13.6	(19.9)

Source: United Nations, Centre on Transnational Corporations, *Transnational Corporations in World Development: A Re-examination*, op. cit., table III-47, based on OECD, *Development Co-operation*, various years; extract.

year. Nevertheless, the implicit rate of expansion in the stock of foreign investment between 1971 and 1975 is still impressive.⁶⁹ Allowing for the effect of the price rise between 1971 and 1975 of nearly 80 per cent (in the unit value index of machinery and transport equipment exports from developed to developing areas), it appears that only Hong Kong, Indonesia, Malaysia and Singapore had expansion ratios of foreign investment which exceeded the rate of inflation.

226. Though the numbers in some instances are rather less appropriate than they purport to be, the data in table 44 are useful for the indications they provide of the changes in the broad sectoral composition of outstanding stocks of foreign private investment in a small but not necessarily unrepresentative selection of developing economies. It will be noted that some of the totals shown in tables 43 and 44 are palpably incompatible; it is not apparent that the estimates found in table 44, though they come from diverse sources and though some of them are indeed weak, are on the whole less dependable than those in table 43. Hence the incompatibility of figures between the two sets of data need have no serious implications for the credibility of either the totals in table 44 or their sectoral patterns.⁷⁰

227. Despite the differences in the data specifications among the countries shown in table 44, the predominant pattern of change in the composition of foreign investment is the increase in the share of manufacturing. Broadly viewed, this reflects both the planning priorities of the several countries and

the particular dependence of these developing countries upon imported managerial, organizational and technological capability and capital goods, in some ways more critically than upon financial capital.⁷¹ Because the data for the first of the three years shown for each of the Philippines and the Republic of Korea are not strictly comparable to the latter two years, the patterns for these countries do not in fact diverge from the general pattern of the increasing predominance of foreign investment in manufacturing (see notes *h* and *k* to table 44). Even in the case of Thailand, the exception is more apparent than real, because of the overwhelming predominance of manufacturing investment in the decade preceding 1970.

⁶⁹ The figures shown in table 43 for Singapore in 1971 and 1975 are anomalous and serve to exaggerate the rate of expansion. Official estimates of foreign investment in manufacturing, converted to \$US values are: 1971: \$US 543 million and 1975: \$US 1,357 million, or an expansion ratio of 2.5, in contrast to the ratio of 4.25 implied in the table. Singapore, Economic Development Board, *Annual Report 1976-77*, p. 10.

⁷⁰ Unless otherwise indicated, the figures in table 44 represent outstanding stocks at specified points of time. In several cases cumulative totals for specified periods of time are indicated in the notes to that table. For the Philippines, the specifications of the data presented for 1973 and 1976 are not explicit in the secondary source from which they have been extracted. They appear, however, to be cumulative totals of approved foreign investment received by the Board of Investments beginning 1968. Cf. Board of Investments, *Philippine Industry and Investment* (Manila), vol. I, No. 3, 1976.

⁷¹ Disaggregation of the foreign investment component in manufacturing to the level of major industry group would undoubtedly reveal more about the pattern of industrial development; data appropriate for this purpose are available for very few countries.

Table 44. Selected developing ESCAP countries:
stocks of foreign direct investment by sector, selected years^a

	India		Indonesia		Malaysia		Philippines		Republic of Korea		Thailand	
	1961	1967 ^b	1974	1970 ^c	1977	1968 ^d	1973 ^e	1965 ^f	1976	1970 ^g	1976 ^h	1975 ^b
Total value of stock (\$US million)	1,107	934	1,683	1,217	6,328	690	1,527	502	513	183	582	70
Sectoral distribution (percentage)												
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	18.8	17.8	—	34.7	11.6	42.6	47.8	2.0	—	0.7	1.2	—
Mining	2.1	0.6	4.2	44.0	22.6	14.6	8.6	10.6	5.7	0.2	0.1	—
Manufacturing	63.5 ⁱ	68.0 ⁱ	92.0 ⁱ	16.9	57.0	22.3	27.4	52.0	48.7	87.1 ^j	76.9	93.1
Services	15.6	13.6	3.7	2.2	7.6	11.9 ^k	11.1	34.5	34.0	12.0	21.8	2.5
Other	—	—	—	2.2	1.2	8.6 ^l	5.1 ^l	0.9	4.7	—	—	0.1

Sources: India, 1961 and 1967: Reserve Bank of India, *India's Foreign Assets and Liabilities, Survey Report*, 1961 and 1966/67, as cited in the *Economic Survey of Asia and the Far East, 1970* (United Nations publication, Sales No. E.71.II.F.1), table I-4-36, p. 58; 1974: Ministry of Justice, Department of Company Affairs, *Research Statistics, 1976*, as cited in United Nations Centre on Transnational Corporations, *op. cit.*, table III-50. Indonesia, 1970: Foreign Investment Board, *Statistical Data on Foreign Investment in Indonesia*, July 1970; 1977: Bank Indonesia, *Indonesian Financial Statistics*, vol. XI, No. 4, April 1978, table 8c. Malaysia, Statistics Department, *Report of Financial Survey of Limited Companies, 1968 (1969) and 1973 (1977)*. Philippines, 1965: N.S. Poblador, "Foreign investment in the major non-financial corporate sector of the Philippines, 1964 and 1965" (Economics, University of the Philippines, 1969) (mimeo.), appendix tables; 1973 and 1976: Central Bank of the Philippines, *Philippines Business Review*, 2 (1977), cited in United Nations Centre on Transnational Corporations, *op. cit.*, table III-50. Republic of Korea, Office of Investment Promotion (1970), cited in the *Economic Survey, 1970, op. cit.*, table 1-4-24; 1973: Economic Planning Board, in *Korea Survey — Euromoney*, April 1977, p. 11; 1976: Economic Planning Board, *Guide to Investment in Korea, 1977*, p. 130.

Notes: ^a End of year except as noted.

^b End of March.

^c Approved foreign investment projects; cumulative from June 1967 to June 1970, end-1977 respectively.

^d Fixed assets in limited companies.

^e Total foreign-owned equity.

^f End of October.

^g Authorized foreign equity investment; cumulative from 1962.

^h Registered foreign capital; cumulative from 1959.

ⁱ Includes petroleum sector.

^j Includes petroleum and gas.

^k Commerce only.

^l Includes construction and activities n.i.e.

228. The observable changes in respect of foreign investment in agriculture scarcely permit even broad generalization. For India there appears to have been a decline in foreign direct investment in the plantations in absolute as well as comparative terms. In the absence of detailed information for 1974, the actual change is not necessarily obvious in table 44. In the Indonesian data, which are foreign investment project approvals, the fall in the share of the agricultural sector reflects the policy of limiting further investment in logging. Finally, the Malaysian pattern is in some respects a case apart. As the data refer exclusively to public limited-liability companies, they do not necessarily reflect the over-all pattern of investment in agriculture. Limited companies are important in plantation agriculture, pre-eminently in rubber and in oil palm estates. Though the foreign-owned segment of export agriculture organized in limited-company form has largely retained and apparently increased its share, it is the smallholder segment which has expanded most rapidly for well over a decade.⁷²

229. Patterns of changing shares of foreign investment in mining are greatly varied, as the data in table 44 suggest, in large part because of differences in resource endowment but also for reasons of government policy. Whereas in India and the Philippines increased foreign investment shares reflect new or renewed emphasis on exploitation of domestic resources, a similar emphasis in Indonesia, which has induced large increases in foreign investment, has resulted in a declining share of total foreign investment approvals simply because other sectors have grown more rapidly, in the nominal value terms reflected in the table.⁷³

230. A comprehensive assessment of the relative importance of major countries of origin of private foreign investment in the developing ESCAP economies is clearly impossible on the basis of the data currently available. Nevertheless, certain broad patterns of change, particularly in the 1970s, are reflected even in the cumulated flow figures most readily accessible. The ability of old and well-established firms to survive and to expand and diversify their investments in developing Asian countries during the post-colonial period is well exemplified in many countries despite both economic and political vicissitudes. The encouragement of foreign investment by most developing countries in the region has permitted and to varying degrees has channelled new investment from other than traditional investors into desired sectors of activity. The available data, incomplete and inadequate though they are for providing a comprehensive picture, broadly confirm the continued importance of United States and British and other west European firms as the main private investors in much of the region.

231. Doubtless the most striking development during the current decade has nevertheless been the great increase in the importance of Japanese private investment in particular in east and southeast Asia. Though the investment stock data are inadequate to the task, cumulative flow figures suggest that Japanese private investment in Indonesia, the Republic of Korea and Thailand already rival and may even have surpassed an earlier predominance of private investment from the United States. In Malaysia, the Philippines and Singapore the proportion of Japanese investment in the aggregate may be relatively smaller, but the increase in the Japanese share appears to have been quite substantial. In consequence it appears that the relative importance of United States and British private capital has declined in most countries in this part of the region.⁷⁴

232. Private investment in Hong Kong is apparently an exception, where the relative importance of foreign private investment from all three countries is recorded to have fallen, though the offsetting increase accrues to the non-descript "other" category. For India, the only example currently available in south Asia, the indications are ambiguous; Japanese private investment plays a negligible role while both the predominant British and the small United States shares may have been fairly well-maintained.

233. Behind the expansion of Japanese private investment in south and southeast Asia quite obviously lies the expansion of Japanese trade with the developing economies of this part of the ESCAP region. During the late 1950s and the 1960s Japanese exports of an increasing range of manufactures captured rapidly growing shares of markets in southeast Asia, while trade with developing countries in east Asia expanded apace. In return southeast and east Asian economies provided mainly raw materials and, increasingly, semi-manufactures for Japanese industry. While total Japanese exports expanded

⁷² For an attempt to place the earlier data of foreign-owned limited company investment in the broader context of market shares in Malaysia, see N. K. Sarkar (ed.), *Foreign Investment and Economic Development in Asia* (Calcutta, 1976), especially pp. 85 ff.

⁷³ In price-deflated terms (using the export unit value index for machinery and transport equipment exports mentioned earlier), the expansion in the dollar value of foreign investment (approvals) in mining was less than 20 per cent over the seven-year period, while that for all foreign investment was nearly 130 per cent.

⁷⁴ In Singapore, where the data relate only to manufacturing, the share of the United States private investment has been well-maintained and that of the United Kingdom has declined while the share of Japanese capital has risen from 7 per cent in 1971 to 14 per cent in 1976. In promoted (pioneer) manufacturing investment in Peninsular Malaysia, both the United States and British portions of total paid-up capital have declined during the 1970s while the Japanese share has expanded. See Singapore, Economic Development Board, *loc. cit.*, and Malaysia, Federal Industrial Development Authority, *Annual Report*, 1970 and 1976, *passim*.

more than fourfold during the 1960s, the share of the total going to developing countries of the ESCAP region changed but little. In contrast, Japanese imports expanded more than threefold during that decade while its imports from those countries quadrupled. The composition of these imports is reflected in the increasing share taken by Japan of raw materials exports from the developing countries of the ESCAP region. Though the values were still relatively small by 1970, a rapidly expanding share of manufactures exports from developing countries of the ESCAP region (again, predominantly from east and southeast Asia) were going to Japanese importers. In the 1960s Japanese private investment in these countries in part supported the export of raw materials to Japan and increasingly financed manufacturing establishments producing for protected domestic markets in the developing host countries.

234. During the 1970s the patterns of trade established in the 1960s and earlier were largely maintained despite the turbulence of international markets in the current decade. Though the share of total exports from the developing ESCAP region going to Japan rose rapidly only until the early years of this decade, the share of manufactures exports (which in turn have become an increasing portion of total exports) made large relative gains. From the Republic of Korea, of which Japan is the largest trading partner, and from the members of ASEAN as a group, export shares to Japan continued to rise only until 1974 and fell appreciably — though not precipitously — the following year. Japanese private capital has been induced to enter joint venture arrangements in a number of east and southeast Asian countries, and “off-shore processing” and assembly operations, have enticed Japanese investors into these countries as industrialization priorities have shifted increasingly in the present decade to production for export, however ephemeral, on the rationale that the opportunities for continued import-substitution have largely been exhausted. Such a shift in emphasis has been well-suited to the needs of Japanese manufacturers, among others, for semi-processed raw materials and for manufactured components as inputs into industries at home.

235. Discussions with industrialists and economic planners in developing economies in this region have increasingly concerned the possibilities for further industrial devolution⁷⁵ in which Japanese industry would divest itself of internationally less competitive branches and assist industry in the developing economies, where labour costs are appreciably lower than in Japan, to take over these more labour-intensive activities either for export to world markets (for example, garments and other wearing apparel) or as subcontractors supplying assembled components to Japanese industry (transistor parts and other

electronics components). Whilst Japanese industry is not alone in this incipient process of restructuring trade and economic relations in an important part of the developing ESCAP region, geographical accessibility and the coincidence of the economic needs of Japanese industry for inputs and of those of the developing economies for know-how, markets and investment finance have apparently proved rather exceptionally salutary thus far in the current decade.

5. Regional co-operation

(a) General trends and developments in the region

(i) Horizontal co-operation: ECDC and TCDC

236. While not a new phenomenon, “horizontal co-operation” among developing countries has been and remains a far less important approach to trade and to economic and social development than have linkages between developed and developing countries. In spite of the political independence attained by most developing countries, economic flows of both trade and financial and technical development assistance tend to have maintained patterns similar to those which were established by the end of the nineteenth century, usually manifested in “centre-periphery” relationships derived from colonial empires. Even the rapid emergence of multilateral institutions since the Second World War has done little to alter the basic nature of “North-South” linkages since (a) they have not greatly influenced trade patterns and (b) they tend to have perpetuated the system of drawing on experts of (or at least located in) developed countries to solve development problems of the third world.

237. In reaction to this situation, the most significant developments in international co-operation for development over the past decade have centred around the concept of collective self-reliance. The more technically advanced of the developing countries — including India in the ESCAP region as well as Brazil, Argentina and Yugoslavia outside it — have been in the forefront of this process, but it has been vigorously backed also by the movement of non-aligned countries, the proponents of special measures for geographically disadvantaged countries, and the Group of Seventy-seven developing countries as a whole. The decade has also seen China re-enter international forums and thus increase the potential for cohesiveness in the third world. The major manifestation of the process so far has been political, represented by the coalition of developing countries in the “North-South dialogue”, the efforts to secure equity in commodities trade and the

⁷⁵ For an official Japanese statement of the long-term process and its concomitants, see Ministry of International Trade and Industry, *Japan's Industrial Structure — A Long Range Vision* (1975 edition) (Tokyo, 1976), especially chapters I and VIII.

struggle for a new international economic order (NIEO). However, the developing countries of Asia and the Pacific have also been active participants in the other dimensions of the process — the attempt to increase and deepen economic and technical relations among developing countries themselves as a means of strengthening their own economies, reducing dependency in their relationships with the North, and securing more appropriate inflows of technology and other external assistance.

238. Two of the major international conferences leading to a programme of action for economic co-operation among developing countries (ECDC) have been held in ESCAP member countries — the Philippines in January-February 1976 and Sri Lanka in August of the same year. Asian and Pacific countries were also active in the September 1976 conference which yielded the Mexico City Programme on ECDC, as well as in the fourth session of the United Nations Conference on Trade and Development (UNCTAD) at Nairobi in 1974, which paved the way for the promotion of ECDC to become an important purpose of the United Nations development system, particularly on the part of UNCTAD and the United Nations regional commissions. Since then they have given active support to the Committee on ECDC established within the UNCTAD conference structure. The Committee's work has included exploration of the scope for a global system of trade preferences among developing countries, co-operation among state trading enterprises, the establishment of multinational marketing enterprises, various forms of industrial co-operation, and expanded co-operation in payments arrangements. With regard to the latter, the first meeting of the Co-ordination Committee on Multilateral Payments Arrangements and Monetary Co-operation among Developing Countries was held at Bangkok in July 1978.

239. More recently, all developing Asian and Pacific countries have participated actively in the regional and international efforts to establish technical co-operation among developing countries (TCDC) as a major *modus operandi* of the development process. Notwithstanding the many existing technical linkages between various combinations of them, including those of a pan-regional nature, the countries of the region have been acutely aware of the need to strengthen and expand the range of effective technical co-operation. To this end, they held a regional conference in March 1976 under the auspices of ESCAP and the United Nations Development Programme (UNDP), in preparation for the United Nations Conference on TCDC, which was held at Buenos Aires in September 1978. They also passed resolutions in 1976 and 1977 calling for the full participation of the subsidiary organs and secretariat

of their major regional forum, ESCAP, in the promotion and implementation of TCDC.

240. Subsequent to the Buenos Aires Conference, which placed considerable emphasis on action at the regional and subregional levels to promote TCDC, 18 Asian and Pacific countries participated in a Regional Working Group of Senior Officials Concerned with TCDC in Developing Asian and Pacific Countries. This Group's report to ESCAP at its thirty-fifth session lays emphasis on the need to improve information available to developing countries on the capabilities and requirements of other such countries; the scope for expanding collaborative research and development undertaken by them; the difficulties of costing the exchange of expertise among them; the role of TCDC in facilitating economic co-operation; and the need for greater support by developed countries for the efforts of developing countries to co-operate among themselves.

241. Several ESCAP member countries — Afghanistan, India, Indonesia, Sri Lanka and (more recently) Bangladesh and Viet Nam — have been playing active roles in the work of the movement of non-aligned countries. With respect to the various fields of work on economic co-operation among non-aligned and other developing countries, they have been particularly well represented in the co-ordination of raw materials, monetary and financial co-operation, the role of women in development, employment and human resources, and, since mid-1978, fisheries. One country, India, is a co-ordinating country for no fewer than six subjects, including technical co-operation and consultancy services, scientific and technological development, and research and information. A much larger number of Asian and Pacific countries are members of the Group of Seventy-seven and have been active at the regional level in such matters as preparations for the fifth session of UNCTAD and the various ECDC activities referred to above. So far, they have yet to demonstrate the strong cohesiveness in international forums which has become a feature of the work of the Latin American and African groups, but towards the end of the decade they have shown an increasing capacity to find and exploit common interests, particularly in the field of commodities.

242. Similarly, with the exception of the members of ASEAN and, to a lesser extent, RCD, the countries of the Asian and Pacific region demonstrate a much lower propensity for forming subregional economic groupings — or linkages between geographic subregions — than the more homogeneous subregions of Latin America, Africa and the Arab States. However, most of them are participating in a wide range of formal public and private sector intercountry arrangements and *ad hoc* contacts for

various purposes, especially with respect to research and training. The commodity communities are another important co-operative force which is basically subregional although with broader geographic scope than the economic groupings. Meanwhile, a gradual increase has occurred in the region's interest in forging economic linkages at the pan-regional level. In view of the heterogeneity of Asia and the Pacific it is not surprising that this process has been slow to develop beyond the forming of broad principles and intentions; that it has occurred without a political forum apart from the conference structure of the regional commission and other United Nations organizations; and that it has manifested itself in ancillary, facilitative mechanisms of co-operation such as a framework agreement for trade expansion, institutions for payments and reinsurance, and programmes for trade and transport facilitation. To a considerable extent, participation in these "regional" approaches has been confined mainly to south Asian countries, partly because parallel moves in the context of ASEAN are also at the formative stage in the southeast Asian subregion.

(ii) Regional co-operation in various sectors

243. Apart from strictly subregional initiatives, most recent developments in trade and monetary co-operation in the ESCAP region stem from the Fourth Council of Ministers on Asian Economic Co-operation, held at Kabul at the beginning of the present decade. These deliberations led to the establishment of an intergovernmental committee of countries interested in initiating a trade expansion programme and of the Trade Negotiations Group (TNG) comprising the developing ESCAP countries. After a series of meetings and bilateral negotiations involving different sets of countries on different occasions, the First Agreement on Trade Negotiations among Developing Member Countries of ESCAP (Bangkok Agreement) was signed on 31 July 1975 by seven countries, of which two have yet to ratify it. The Agreement provides for preferential tariff cuts which average about 35 per cent, and the preferential binding of some most-favoured-nation tariffs on goods comprising about \$US 50 million of regional trade. In addition, the signatories agreed to cut tariffs on imports of a further 29 items originating in the least developed signatory, the Lao People's Democratic Republic, as well as to strive to prevent increasing trade barriers on products of export interest to other signatories. Co-operation is also foreshadowed in customs administration, anti-dumping regulations, tariff nomenclature and draw-back arrangements.

244. Recognizing that the limited impact of the above framework may have been due partly to the heavy emphasis on trade preferences in the approach arising out of the Kabul Declaration, the countries

of the ESCAP region have recently established a new forum for intraregional co-operation in trade, namely, the Trade Co-operation Group (TCG), which has been constituted under the auspices of the regional commission pursuant to a decision of the Ministerial Conference on Co-operation in Trade for Asia and the Pacific, held at New Delhi in August 1978. Its membership is open to any ESCAP member or associate member, whether developed or developing, which wishes to participate in the implementation of any component of the programme of action adopted by the Conference. This programme provides for activities relating to information, joint ventures, long-term contracts, commodity communities, monetary co-operation, tariff and non-tariff barriers, trade statistics, customs nomenclature and transport facilitation. Within TCG, subgroups of countries may be established for carrying out various types of measure to implement the programme.

245. Like TNG and the Bangkok Agreement, the Asian Clearing Union (ACU) is a product of the Kabul Declaration. It commenced operations in 1975 and currently has seven members, all south and southwest Asian countries. Transactions amounted to AMU 22.3 million in 1976 and increased to AMU 68.0 million in 1977.⁷⁶ Another important area for co-operation to promote collective self-reliance and facilitate trade expansion within the region is reinsurance. After five years of preparatory technical work, a decision to establish a regional corporation in this field was taken at the Second Round-table Meeting on the Asian Reinsurance Co-operation (ARC), held at Bangkok in December 1976. It is expected that ARC will commence its operations during 1979, accepting business from the insurance markets in its member States as well as other markets of the region and elsewhere.

246. As in the field of trade, the current decade has seen the Asian region develop an increasing understanding of the need for intraregional industrial co-operation. Such co-operation has been recognized to be desirable to secure economies of scale, to adopt and adapt new technologies, to strengthen the bargaining position of individual countries vis-à-vis transnational corporations based in developed countries and to facilitate rational progress towards the targets indicated in the Lima Declaration. Political commitment has been reflected in both subregional and regional forums, and various studies to identify the scope for both broad co-operation in the field of industry and specific joint ventures of developing countries have been undertaken during the decade. Of these, the Asian industrial survey for regional co-operation (AIS) has been followed up by consultations among planners, entrepreneurs and represen-

⁷⁶ AMU (Asian Monetary Unit) 1.0 = SDR 1.0.

tatives of financial institutions, thus preparing the ground for the establishment of multinational enterprises. At the level of specific ventures, five "regional projects" are now under consideration by the five ASEAN countries; several such ventures were established earlier in the decade in the RCD sub-region; bilateral projects have been established or are under consideration by India in co-operation with such countries as Iran, Bangladesh and Sri Lanka; and many more national enterprises have been established in particular countries on the initiative of or with financial or technical assistance from private entrepreneurs based in other developing countries of the region. India, the Republic of Korea, Hong Kong and Singapore have emerged as important investors in the latter regard.

247. In the field of commodities, the Asian and Pacific region still has only three established communities — in natural rubber, coconuts and pepper. However, considerable progress has been made over the past two years towards the formulation of co-operative measures and the formation of an inter-governmental arrangement for tropical hardwoods. Meanwhile, progress towards the establishment of Jute International has slowed down, and resource constraints are inhibiting the preparatory work needed to form producers' associations for other commodities such as tin, dried fruit and edible nuts. The past biennium has seen the most significant achievement to date of the eight-year-old Association of Natural Rubber Producing Countries (ANRPC), i.e., the conclusion of the International Natural Rubber Price Stabilization Agreement by five of its seven member countries. Under the auspices of UNCTAD it is now negotiating with consuming countries towards an international rubber agreement, making natural rubber the only commodity under UNCTAD resolution 93 (IV) to have reached the negotiating stage.

248. In several other sectors Asian and Pacific countries have established the framework for joint action of a technical nature. Notable developments over the past few years in the field of mineral resources, for example, have included the establishment of two intergovernmental development centres and expanded investigatory activity under the auspices of the two co-ordinating committees concerned with off-shore prospecting in east Asian and South Pacific waters. Inter-country co-operation has also increased markedly in such fields as telecommunication, shipping and industrial technology.

(iii) Interregional co-operation

249. Several countries are developing commercial and technical linkages with developing countries beyond the ESCAP region. These interregional ap-

proaches to horizontal co-operation are based upon cultural affinities transcending geographic considerations, such as linkages with the Muslim world on the part of Bangladesh, Indonesia, Iran, Malaysia and Pakistan; the need to diversify markets and sources in reaction to restrictions on opportunities for trade with traditional partners within the region (for example, Pakistan and Bangladesh) or in the developed world; and the emergence or intensification of a global outlook on the part of large countries such as China and India and vigorous traders like Hong Kong, Singapore and the Republic of Korea. These developments have been encouraged during the decade by such factors as the oil crisis, increasing protectionism by developed countries, and the various attempts to elevate the notion of the third world from a political concept towards a practical dimension of international co-operation.

(iv) Inter-country training and research

250. In contrast with the rather modest record with respect to economic co-operation, there has been a significant increase in inter-country training and research in the ESCAP region. Examples abound of regional workshops and training courses held over the past few years with a much greater TCDC dimension than their counterparts of the previous decade. Whereas the earlier pattern for such activities involved a high degree of external sponsor initiative in selecting topics, agendas, foreign consultants and the like, many now tend to be initiated and sometimes financed by individual developing countries or groups of them; and external consultants, where they are used at all, are on a par with local specialists. A related phenomenon has been the holding of regional conferences on various scientific or technological topics; even where these meetings continue to be sponsored by international bodies, they increasingly reflect the enhanced capacity of professional and technical organizations within the region.

251. There has also been a marked increase in *ad hoc* technical and academic exchanges among developing countries, especially in various fields of science and technology, stimulated or facilitated by intergovernmental organizations and/or the implementation of large-scale regional projects. The latter may be institutionalized on their own account or may be operational programmes of either inter-country groupings or national institutions. In addition, an increasing amount of joint research has been undertaken by scholars of developing Asian and Pacific countries loosely associated through such bodies as the Association of Development Research and Training Institutes of Asia and the Pacific (ADIPA), through intergovernmental, professional

or trade-oriented associations, societies and federations, or through institutes, programmes and consortia based outside the region.

252. Institution-building has played an increasingly important role during the decade in promoting co-operation in research and training within the region. Two basic types of approach may be distinguished in this regard—the “twinning” or regionalization of national institutions, and the creation or strengthening of intercountry institutes, centres or networks. Many national facilities now serve other developing countries as well as their own, and account for a significant proportion of trainees under the Colombo Plan, ASEAN, and other fellowship programmes as well as private education arrangements. The decade has also witnessed increased nationalization (or, in a few cases, attrition) of several institutions originally established on a regional basis. These include some of the regional centres associated with education established under the auspices of the United Nations Educational, Scientific and Cultural Organization (UNESCO), and some of the co-operative projects in medical research and other fields which were set up during the previous decade in Bangladesh (then East Pakistan), Thailand, the Philippines and other countries under the now-defunct Southeast Asian Treaty Organization (SEATO) and Asian and Pacific Council (ASPAC) or under the Asian Parliamentary Union (APU).

253. Meanwhile, progress has been made by regional organizations such as the Asian Institute of Technology (AIT) and the University of the South Pacific. The former retains its regional character under an autonomous charter and offers an increasing number of regional programmes in such subjects as computers and low-cost housing in addition to its multi-sectoral post-graduate teaching and research activities in engineering and related fields. Among other recent developments in the building of formal regional institutions have been the establishment of networks (referred to below) and the expansion to five of the group of training and research institutions associated with ESCAP. Increasing concern has been expressed over the proliferation of institutions with weak resource bases, however, and further developments in this direction are not likely in the absence of strong support by the developing countries concerned. Meanwhile, however, the several institutes established under the auspices of the Southeast Asian Ministers of Education Organization (SEAMEO) have enjoyed satisfactory levels of external funding and have continued their work in various fields, while several other regional institutions and committees have been established during the decade under the auspices of the Ministerial Conference for the Economic Development of South-east Asia.

254. The above developments notwithstanding, increased emphasis on participation of developing countries rather than external funding in regional institutions is reflected in the recent trend towards networks. In some respects these have more in common with the professional associations referred to above than with the earlier spate of regional institutions headquartered in various countries. Some of the new networks for research and development in various sectors have central bureaux, but they share with the longer-established non-governmental networks a heavy dependence on national focal points for the implementation of their work programmes. A good example of a large and rapidly growing network is the Asian Programme of Educational Innovation for Development (APEID) which, with UNESCO as a resource base, involves exchange among 18 ESCAP countries in which participation is based on the principle of full equality. As well as the networks which have been established as such, the SEAMEO centres and many programmes headquartered in regional United Nations organizations have given increasing attention to activities which involve substantive participation by national institutions and experts. Meanwhile, several of the professional associations have developed operational activities using the network approach. Like the research activities of such political organizations as the movement of non-aligned countries, these activities tend to be based on one “lead country” with varying degrees of substantive participation by its fellow members.

(b) Subregional economic co-operation

(i) Scope for co-operation in south Asia

255. The “now deep-rooted fears of dependence and dominance” necessitate that prospective co-operation among three south Asian countries, Bangladesh, India and Pakistan must “substitute interdependence on the basis of structurally balanced economic relations”.⁷⁷ This type of interdependence could not be engineered successfully during the present decade, not least because of a high degree of competitiveness in significant trade goods and basic food-stuffs.

256. Although some efforts have been made to expand bilateral relations between Bangladesh and India on a more balanced basis, even here progress has been mainly restricted to large-scale Indian assistance immediately following the separation of Bangladesh from Pakistan in 1971; a moderate increase, both structurally and politically constrained, in State-to-State trading since then; co-operation be-

⁷⁷ R. Sobhan, “International economic relations within South Asia: prospects for regional co-operation”, (1977) draft paper for the OECD interferences projects.

tween the two countries' planning authorities in devising industrial projects which would have improved the structure of Bangladesh's trade but which have yet to materialize; and limited co-operation in the programming of use of the Ganges river to augment the dry season flows. With regard to the last, the Joint Rivers Commission, initially established in 1972, was reactivated in a 1977 five-year agreement for sharing the waters of the Ganges.

257. Moderate as these economic linkages between Bangladesh and India are, they appear considerable in contrast to those between India and Pakistan. In sharp contrast to the high degree of interdependence between the two economies at the time of independence, trade declined sharply and then remained small until it ceased altogether because of the war between them in 1965. Although a trade agreement was concluded in 1974, it has yielded little trade since then.

258. Some improvement has occurred in Pakistan's trade with Bangladesh during this recent period, but by and large Pakistan has concentrated on developing or increasing trade and other economic links with Iran and the Middle East oil exporters and also, in respect of specific commodities, with such partners as Sri Lanka (tea imports), Thailand (jute imports), Indonesia and Africa (rice exports) and Hong Kong and Europe (yarn and cloth exports).

259. In spite of these recent alignments and the negligible present level of trade, there may be some prospect for the re-establishment of economic relations in the subcontinent. Encouraging this are such factors as India's increasing comparative advantage in capital and intermediate goods and in technology, its need to reap the benefits and mitigate the costs of a long period of import-substitution by aggressively expanding those secondary exports in which it has gained a competitive edge over developed country suppliers and the prospect of reduced tying of international aid flows to such suppliers. Yet short of free trade with flexible exchange rates which would exploit comparative advantages at an intra-industry level or carefully planned trade on a quota basis and involving explicit restructuring, any substantial expansion of trade would tend to be heavily imbalanced in India's favour owing to the latter's self-sufficiency in most goods produced by Bangladesh or Pakistan.

260. In the case of Bangladesh the main difficulty lies with its dominant export commodity, jute, while for Pakistan the problem covers a wide range of present and potential sectors from cotton to light engineering. Even in fertilizer, an area which would seem to contain good scope for co-operation, at least between the gas-rich Bangladesh and India, the latter has already adopted a different supply policy

based on higher-cost self-reliance complemented by co-operative arrangements with Sri Lanka, Kuwait and probably Iran; Pakistan also tends to look west with respect to potential co-operation in fertilizer. Other activities in which there could be scope for co-operation include iron and steel, cement, water resources (as noted earlier), newsprint and gas-based electricity. In each case, however, the prospects depend on the existence of political harmony and a comprehensive programme of economic co-operation which is fully reflected in each country's national development strategy.

261. Pakistan's relations with Iran are discussed further below in the context of RCD, but in the meantime it may be noted that, while Iran has made considerable industrial investments in Pakistan and provided large amounts of concessional assistance over the past five years, its relations with India have expanded much more substantially. Indeed, trade between India and Iran grew more than four-fold between 1972/73 and 1975/76, reflecting India's requirements of oil and fertilizer and Iran's need for engineering and intermediate goods and technology. This trade growth has been complemented by the extension of credits by Iran and by several large-scale joint-ventures in iron ore and other Indian natural resources needed for Iran's rapid industrialization programme, as well as a joint venture in ocean-shipping. These arrangements appear to form the basis for long-term and wide-ranging co-operation between the two major economic and military powers of the south and south west Asian region. In contrast, the scope for co-operation between Iran and either Bangladesh or Pakistan seems limited, both in product range and time horizon by Iran's own nascent strength in the production of such goods as cement, textiles, light engineering products, synthetic substitutes for jute and nitrogenous fertilizer.

(ii) Association of South-East Asian Nations

262. The 1970s were described *ex ante* as the "ASEAN development decade" and, indeed, have proved so in terms of developing technical co-operation over a broad front; attaining international recognition for the group and negotiating jointly in international forums and with individual developed countries; declaring political will for limited economic co-operation in trade and industry; and expanding the agents for co-operation to include private commercial and academic interest groups. At least in terms of strengthening the basis, the past biennium has been the most active period for economic co-operation in the 11-year history of the Association, with agreement being reached on four areas of such co-operation. However, recent moves with respect to political, technical, social and cultural co-operation may have been relatively more significant.

Meanwhile, the organization's recent important institutional developments should be recognized: the establishment of its central secretariat at Jakarta, the addition of a regular Meeting of Economic Ministers to the already comprehensive committee structure, and the formation of a variety of industrial federations at the private-sector level under the auspices of the ASEAN Chamber of Commerce and Industry.

263. With respect to industrial co-operation, ASEAN had decided from the beginning to concentrate on the "package-deal" approach. Accordingly, after the Bali summit meeting in February 1976, five ASEAN industrial projects (AIP) were selected and the member States were assigned to study the feasibility of establishing them. The distribution is: ammonia-urea for Indonesia and Malaysia, phosphoric fertilizer for the Philippines, diesel engines for Singapore, and rock salt-soda ash for Thailand. Two of these projects have been found to be feasible so far, although Singapore has recently announced its intention to proceed unilaterally with diesel engine production in view of the establishment and intended expansion of competing facilities in several of the other countries. In addition to the first set of projects, a second set of seven projects has been identified and is being studied by the countries concerned: heavy duty rubber tires for Indonesia, metal-working machine tools for Malaysia, newsprint and electrolytic tin plating for the Philippines, television picture tubes for Singapore, and fisheries and potash for Thailand. Meanwhile, agreements have been reached on the mode of ownership and control of AIP: the host country will have the majority share of 60 per cent of the equity, with the balance to be shared equally by other ASEAN countries; and each country will have at least one director on the board, which ASEAN nationals will control. On the principles of AIP, the equal benefit criteria have been adopted.

264. Co-operation in trade is to be implemented slowly in terms of preferential trading arrangements (PTA), which will be effected through various instruments including long-term contracts, preference in procurement by government entities and preferential tariff rates. In addition, the member States have also agreed to the use of protection against dumping for products selected for PTA, liberalization of non-tariff barriers and establishment of a trade preferences negotiating group. Tariff rates were reduced on 71 items at the beginning of 1978, with the expectation that 250 items were to be added to the list every quarter thereafter. On the first list, Singapore and Indonesia offer a 10 per cent reduction of existing rates. Textile products and garments are on the Singapore list, whereas the Indonesian list includes a variety of items ranging

from cement to food items and rubber tires. The Malaysian list includes mostly items with zero tariff already, plus five items on which it offers reductions of between 10 and 15 per cent. The Philippines offers reductions between 10 and 30 per cent, mostly 20 per cent; some of the items included are tractor tires, ball-bearings, glass, gypsum, maize and palm oil. The reductions offered by Thailand also range between 10 and 30 per cent, on products such as logs, paraffin wax, insecticides, artificial butter and ball-bearings. At the present rate of progress, however, it will be many years before the preferences will be substantial over a range of items which is significant relative to total ASEAN trade.

265. Fortunately, better progress has been made with respect to food and energy. Rice and crude oil have been adopted as the first two basic commodities to be accorded, through the PTA, priority of supply and purchase in critical circumstances in times of shortage and oversupply respectively. The term "critical circumstances" has been defined, and the criteria of the option of first refusal set. Furthermore, a long-term contract is to be negotiated on rice, and an emergency sharing scheme for crude oil and oil products in circumstances of shortage and oversupply was adopted.

266. The fourth area of economic co-operation, the agreement to undertake joint approaches to international commodity and other economic problems, has two aspects. One is the negotiation with non-ASEAN countries and in international organizations and another is the joint approach on commodity problems. On the former, ASEAN has assigned a negotiating responsibility to each member country on behalf of the group. For example, Indonesia is to negotiate with Japan, the Philippines with the United States, Malaysia with Australia, etc. In most international organizations such as the United Nations and its related bodies, the five countries are often represented as a group. One of the most important demonstrations of this common stand is the ASEAN position on supporting the common fund proposed by UNCTAD as a part of its Integrated Programme for Commodities (IPC). ASEAN joint approaches on commodity problems cover major commodities of its member countries, natural rubber, timber products, vegetable oils and oilseeds, tin, copper, sugar and hard fibres, and co-operation is expected to extend to the development, processing and marketing of these. Finally, ASEAN is currently negotiating a STABEX type of commodity agreement with Japan.

267. Although ASEAN and its subsidiary and associated bodies incorporate most of the co-operative arrangements and activities in the southeast Asian subregion, there are also several important projects

and institutions which serve the same or a slightly different group of countries. Many of these were established under the auspices of SEAMEO or the Ministerial Conference for Economic Development of Southeast Asia. Apart from those already mentioned above in the context of intercountry research and training, the decade has seen the emergence of, for example, the Southeast Asian Businessmen's Council, the Intergovernmental Co-ordinating Committee for Southeast Asian Co-operation on Family and Population Planning and, prospectively, an Asian centre for tax administration and research. Of longer standing in the field of banking are the Southeast Asian Central Banks Group and its training and regional monetary research centres, and the broader Council of Governors of Central Banks of Southeast Asia, New Zealand and Australia.

(iii) Regional Co-operation for Development

268. The oldest subregional grouping in the region, Regional Co-operation for Development (RCD), which comprises Turkey as well as two ESCAP countries, Iran and Pakistan, continues to be implemented by a wide and increasing variety of co-operative endeavours. Similarly, it continues to have only a minor impact on the economic plans and performance of its member countries, in spite of gaining a renewed political charter in the 1976 Treaty of Izmir. In terms of industry and trade, the record remains limited to three joint productive enterprises in bank notes, ball-bearings and aluminium, six national firms operating on a guaranteed off-take basis, the 1967 Multilateral Payments Arrangement and intentions to establish several more joint ventures in air and road transport and such products as diesel engines, heavy engineering and telecommunication equipment as well as a free trade area by the middle of the next decade. In addition, Iran and Pakistan have several joint projects and have recently signed a transit agreement, but these measures are bilateral in nature and no more significant than the various economic projects which each country has with other neighbours. As far as RCD itself is concerned, the essential ingredient of close co-ordination in planning is yet to be effectively established. Moreover, the three economies may be only complementary to a limited extent at present, although freer trade could well encourage greater specialization.

269. In contrast to its performance in bringing about economic co-operation among its three members, however, RCD has a strong record in promoting technical and other forms of co-operation, including some which could play important roles in facilitating greater economic integration in the future. Among the many co-operative activities which are already well established in this regard are the RCD highway

and railway; about two dozen standards; the payments arrangements referred to above; the South and West Asia Postal Union; technical and cultural exchange programmes; the RCD Insurance Centre and a recently combined reinsurance pool covering fires, marine accidents, aviation and engineering; the RCD Shipping Services, which associate almost all major companies in the countries; and the RCD Chamber of Commerce and Industry. Of more recent date or still in the process of being established are sub-regional institutes or schools of science and technology, economics, and tourism and hotel management; foundations for science and for youth; the RCD Insurance Company; and a Protocol on Trade.

(iv) South Pacific Forum and other Pacific groupings

270. Of the two general subregional groupings now operating in the southwest Pacific—the South Pacific Commission (SPC) and the South Pacific Forum (SPF)—the latter is a child of the 1970s which has laid considerable groundwork for co-operation among its developing island members as well as between them and Australia and New Zealand. To assist this process, the South Pacific Bureau for Economic Co-operation (SPEC) was established in 1973 as its permanent secretariat at Suva and a specialized institution was set up to play an advisory role in the development of fisheries. SPEC's first five years have seen studies, surveys and advisory services to promote trade and other co-operation through the removal of trade barriers, improved marketing, the development of a subregional shipping venture, air-freighting of perishable products, reduced quarantine barriers, co-ordinated export of some commodities, the development of subregional telecommunication, bulk purchasing, etc. These efforts have led, *inter alia*, to the recent establishment of the Pacific Forum Line Ltd., a commercial joint venture of eight Governments headquartered in Apia. There is now some prospect of agreement between the developing island States to specialize in the production of difference agricultural products and perhaps to establish production joint ventures. However, the difficulties which they are experiencing in attaining national economic self-determination are reinforcing their preference for a cautious approach towards co-operation.

271. Although there is no formal trade agreement among the SPF members as a group, its two developed members have operated under the New Zealand-Australia Free Trade Agreement (NAFTA) since 1966. This Agreement is limited in its coverage and, although both countries have continued to affirm their commitment to it, the "positive list" of items has grown slowly in recent years. Meanwhile, the bilateral approach has been replicated by Australia with respect to the recently independent Papua New Guinea.

III. SOCIAL DEVELOPMENT PERFORMANCE

A. POPULATION, LABOUR FORCE AND UNEMPLOYMENT

1. Demographic developments

272. Demographically the largest and possibly the most diverse of the earth's regions, the ESCAP region in 1978 had a total population of about 2,300 million persons, or more than half the world total. Some 94 per cent of that population live in developing countries and comprise over 70 per cent of the population of the developing world. Four of the six largest countries in the world are in this region — China, India, Indonesia and Japan. In contrast, four of the Pacific members of ESCAP have populations of less than 100,000.

273. The population of the ESCAP region is currently growing by an annual increment of about 50 million people, a number which is larger than the total population of any but the six largest countries in the region (see table 45). Over the period since 1960 the total population of the developing countries of the ESCAP region has grown at a rate of between 2 and 2.1 per cent a year. Recent projections to the end of the century suggest that the growth rate may be expected to decline towards the end of the 1970s as fertility rates continue to decline and the fall in mortality rates becomes less rapid.

274. The concentration of the population of the region in a small number of large countries is evident from the data in table 45. The five largest countries account for some 85 per cent of the developing ESCAP total and this proportion has declined only slightly during the past two decades. The aggregate population of the three largest — China, India and Indonesia — has been growing at a rate considerably less rapid than that of the remainder, which account for less than a fourth of the combined total (2 per cent per year as against 2.5 per cent in both periods). The concentration of population in one major country affects each of the sub-groups and makes it necessary to qualify virtually all generalizations about demographic characteristics and their changes. Similarly, it may be expected that significant variations occur within the more populous countries as well.

275. Nearly every ESCAP country has experienced its peak rate of growth since 1960, most of them during the 1970s. These historically high rates of growth have come about because of substantial decreases in mortality not matched by fertility declines (see table 46). Much of the decrease in mortality has been brought about by public health programmes, such as the eradication of malaria, and immunization programmes which have relied on im-

ported technology and medicines and have sometimes had a dramatic impact on mortality.⁷⁸

276. Whereas low mortality is a goal in virtually all societies, low fertility depends upon specific conditions which have not generally prevailed in Asia and the Pacific. In a region where a large and often the largest part of the population in most countries is engaged in subsistence agriculture, there has necessarily been a positive value placed on high fertility. Fertility can be reduced by government programmes only when socio-economic conditions have evolved in such a way that lower fertility is a rational choice for most of the population.

277. Not least in developing countries, the level of fertility is influenced by educational levels, particularly of women, and employment opportunities, again primarily for women. It is difficult to identify the direct effects of urbanization on fertility, yet urban fertility rates are usually lower than rural rates because urban areas typically have lower mortality rates, better educational and work opportunities, higher living costs, and often higher social status of women.

278. Apparently with few exceptions, fertility rates in developing countries of the ESCAP region have declined only modestly since 1960. Apart from the three developed countries in the region, in only a very few others had estimated total fertility rates (TFR)⁷⁹ begun to approach the stationary-population rate by 1975. The two most highly urbanized societies, Singapore and Hong Kong, showed the lowest total fertility levels, followed by China, the Republic of Korea and Sri Lanka. No others reported TFR in the range of 4 or lower (see table 46).

279. In relatively few countries have population growth rates declined appreciably during the 1970s as compared to the 1960s (table 45); on the whole such declines have been relatively small and have occurred more commonly in east and southeast Asian countries than in south Asia. Nevertheless, because of the dominance of the population of India in the latter sub-group, the growth rate for that

⁷⁸ See section III.B.2, on developments in health, below; for the incidence of malaria and other diseases, see especially table 63.

⁷⁹ "The TFR represents the number of children that hypothetically would be born per woman, if she were to live to the end of her child-bearing years and bear children at each age in accordance with the prevailing age-specific fertility rates." International Bank for Reconstruction and Development, *World Development Report, 1978* (Washington, D.C., 1978), p. 118.

Table 45. ESCAP region:
population growth, 1960s and 1970-1977

Country or area ^a	Mid-year population (millions)			Growth rates ^c (percentage per annum)	
	1960 ^b	1970	1977	1960s	1970-1977
Developing ESCAP	1,502.8	1,846.1	2,126.2	2.1	2.0
South and west Asia	605.5	767.1	895.3	2.4	2.2
Bhutan	0.8	1.1	1.2	2.3	2.3
Nepal	9.4	11.2	13.1	1.8	2.3
Sri Lanka	9.9	12.5	14.0	2.4	1.6
Afghanistan	11.8	14.9	17.4	2.3	2.3
Burma	22.0	27.0	31.5	2.1	2.2
Iran	21.5	28.7	34.3	2.9	2.6
Pakistan	46.0	60.6	75.3	2.8	3.1
Bangladesh	54.6	72.0	82.7	2.8	2.0
India	429.5	539.1	625.8	2.3	2.2
Southeast Asia	196.7	252.5	302.2	2.5	2.6
Singapore	1.6	2.1	2.3	2.3	1.6
Lao People's Democratic Republic	2.3	3.0	3.5	2.4	2.2
Democratic Kampuchea	5.6	7.1	8.6	2.3	2.9
Malaysia	7.9	10.4	12.6	2.8	2.7
Thailand	26.6	36.4	44.0	3.1	2.7
Philippines	27.4	36.8	45.0	3.0	2.9
Viet Nam	30.2	39.2	47.9	2.7	2.9
Indonesia	95.1	117.5	138.3	2.1	2.4
North and east Asia	698.0	823.1	924.7	1.7	1.7
Mongolia	1.0	1.2	1.5	2.8	2.9
Hong Kong	3.1	4.0	4.5	2.6	1.9
Democratic People's Republic of Korea	10.6	13.9	16.6	2.7	2.6
Republic of Korea	24.8	32.2	36.4	2.7	1.8
China	658.5	771.8	865.7	1.6	1.7
Pacific ^d	2.6	3.4	4.0	2.7	2.2
Fiji	0.4	0.5	0.6	2.9	2.1
Papua New Guinea	1.9	2.5	2.9	2.7	2.3
Developed ESCAP	106.9	119.8	131.0	1.1	1.3
New Zealand	2.4	2.8	3.1	1.7	1.5
Australia	10.5	12.7	14.1	1.9	1.4
Japan	94.0	104.3	113.9	1.1	1.3
Total ESCAP	1,609.7	1,965.9	2,257.2	2.0	2.0

Sources: United Nations, *Monthly Bulletin of Statistics*, February 1979 and earlier issues; Indonesia: Central Bureau of Statistics; International Bank for Reconstruction and Development, *World Development Report, 1978* (Washington, D.C., 1978), table 13.

Notes: Minor discrepancies due to rounding.

^a Listed in order of 1970 population size within each geographical group.

^b Estimates for 1960 adjusted as required to correspond with subsequent revisions.

^c Compound annual rates.

^d Includes estimates for the Cook Islands, Gilbert Islands and Tuvalu, Samoa, Tonga and the Trust Territory of Pacific Islands, not shown.

Table 46. ESCAP region:
birth and death rates, 1960 and 1975; total fertility rate, 1975

Country or area ^a	Crude birth rate (per thousand)		Crude death rate (per thousand)		Percentage change in		Total fertility rate ^b 1975
	1960	1975	1960	1975	Crude birth rate 1960-1975	Crude death rate 1960-1975	
Developing ESCAP ^c	44	38	21	15	-13.6	-28.6	6.0
South and west Asia	46	45	23	16	-2.2	-30.4	6.2
Bhutan	45	43	27	20	-4.5	-25.9	6.2
Nepal	46	46	26	20	0.0	-23.1	6.2
Sri Lanka	36	27	10	9	-25.0	-10.0	4.2
Afghanistan	48	51	34	31	6.3	-8.8	6.9
Burma	43	34	22	11	-20.9	-50.0	5.5
Iran	47	45	21	15	-4.3	-28.6	6.9
Pakistan	49	47	23	16	-4.1	-30.4	7.2
Bangladesh	51	46	25	18	-9.8	-28.0	6.6
India	44	36	21	15	-18.2	-28.6	5.7
Southeast Asia	45	38	19	13	-15.6	-31.6	6.2
Singapore	38	18	8	5	-52.6	-37.5	2.8
Lao People's Democratic Republic	44	42	23	22	-4.6	-4.4	6.2
Democratic Kampuchea	49	47	22	18	-4.1	-18.2	6.7
Malaysia	39	31	9	6	-20.5	-33.3	5.7
Thailand	46	34	17	10	-26.1	-41.2	6.3
Philippines	45	36	15	10	-20.0	-33.3	6.4
Viet Nam	42	41	21	16	-2.4	-23.8	6.2
Indonesia	47	40	23	17	-14.9	-26.1	5.5
North and east Asia	41	26	13	9	-36.6	-30.7	4.0
Mongolia	41	38	17	9	-7.3	-47.1	5.6
Hong Kong	35	18	7	5	-48.6	-28.6	3.0
Democratic People's Republic of Korea	41	37	13	9	-9.8	-30.8	5.2
Republic of Korea	41	24	13	8	-41.5	-38.5	4.0
China	31	26	16	9	-16.1	-43.8	3.8
Pacific ^d	...	...	...	...	...	...	...
Papua New Guinea	44	41	23	17	-6.8	-26.1	6.0
Developed ESCAP	22	19	9	8	-13.6	-11.1	2.8
New Zealand	26	21	9	8	-19.2	-11.1	3.0
Australia	22	19	9	8	-13.6	-11.1	2.8
Japan	18	18	8	7	0.0	-12.5	2.2

Source: International Bank for Reconstruction and Development, *World Development Report, 1978* (Washington, D.C., 1978), table 15.

Notes: ^a Listed in order of 1970 population size in each group.

^b Hypothetical number of children born per mother during child-bearing years at age-specific rates.

^c Rates for sub-groups and totals are median values and their derivatives.

^d Not meaningful.

group shows a decline which is not found in the southeast Asian aggregate. Whilst the estimates relate only to terminal years, comparison of crude birth and death rates suggests the proximate causes of changes in crude rates of natural increase (table 46). Crude birth rates have generally fallen over the period 1960-1975, in several cases quite markedly in relative terms—chiefly the countries and areas which showed low TFR in 1975. The large relative declines in crude birth rates during this period for Thailand, Burma, Malaysia and the Philippines suggest that fertility rates may also have declined significantly.⁸⁰ Though the tabular data do not indicate an exceptional decline for Indonesia, recent findings based on the 1976 Intercensal Population Survey imply quite significant reduction in fertility rates with consequent reduction in the rate of population growth.⁸¹ Crude death rates have characteristically fallen relatively more than birth rates during 1960-1975, as reference to table 46 demonstrates; the exceptions occur in the cases mentioned earlier as having experienced marked declines in population growth rates between the 1960s and 1970-1977.

280. For most of the developing countries of the region population growth rates declined between the 1960s and the 1970s (up to 1977; see table 45). This pattern appears most commonly in southeast Asia and the Pacific area, and applies least well to west and south Asia. In relatively few countries, however, was the decline sufficiently large and long-sustained to cause a shift in the age structure of the population. For most, the 0-14 year age group continued to increase as a share of total population (table 47). As a corollary, the share of the population in the working ages, 15-64 years, increased appreciably in relatively few. For Singapore, Hong Kong, the Republic of Korea and Fiji, the proportion in the working-age group expanded by a tenth or more between 1960 and 1975; other countries showing increases in this share included China, the Democratic People's Republic of Korea, Malaysia and Sri Lanka while Indonesia and Iran recorded virtually no change. Sustained declines in the rate of population growth may be expected to increase the working-age proportion and eventually the over-65 year age group, relative to the youngest. The contrast between most of the region's developing countries and the developed countries is instructive in this respect.

281. Changes in the age structure of the population have important implications for development, for example, for the provision of health and educational services and for employment and unemployment. Chiefly as a consequence of earlier population growth rates, the rate of labour force growth has continued to rise in the 1970-1975 period as

compared with the 1960s. Reference to table 51 indicates that this general acceleration in the rate of labour force growth characteristically occurred in spite of a decline in labour force participation rates. These participation rates express the proportion of labour force to population in specified age groups, designated as the working ages. Thus dependency ratios have typically been increasing—whether expressed as the non-working age population in relation to that of working age or, more appropriately, the ratio of those outside the labour force to those in the labour force. As will be noted below, both unemployment and underemployment are characteristic of the economies of the region. Hence in the ultimately pragmatic sense of the ratio of those not working to those in work, the dependency ratio is even larger than the age structure suggests. Whether this ratio has increased over the last 10 or 15 years depends upon the change in the level of employment during the period.

282. Among the structural characteristics of a population, the proportion living in urban areas and the rate of urbanization are important for the future growth of the population as well as for the process of development. Data relating to urbanization in the economies of the ESCAP region are presented in table 48. Because the size criterion defining an urban concentration varies from country to country, the figures are not strictly comparable between countries. However, a comparison of the urbanization figures with those showing the proportion of total labour force engaged in agriculture (table 48) suggests that the contrast between urban and agricultural shares does permit at least rough comparison among countries. Rates of urban population growth typically exceed those of total population, giving rise to an increase in the urban share. By international standards, however, levels of urbanization in the countries of the region are not exceptionally high, nor are rates of urbanization.⁸² Metropolitan conurbations continue to grow rapidly in many developing countries of the ESCAP region, with the attendant problems of congestion, pollution, the growth of slums and squatter settlements, the concentration of open unemployment and, in some countries political instability engendered by these and related conditions. Though large urban centres are often demonstrably efficient as economic nuclei (despite their obvious

⁸⁰ Recent estimates have been summarized by W. Parker Mauldin, "Patterns of fertility decline in developing countries, 1950-75," *Studies in Family Planning* (The Population Council), vol. 9, No. 4, April 1978, pp. 75-84.

⁸¹ Central Bureau of Statistics, *Intercensal Population Survey 1976* (Jakarta, 1977) and *Proyeksi Penduduk Indonesia, 1976-2001*, series K, no. 2 (Jakarta, 1978), *passim*.

⁸² Urbanization rate: the rate of growth of urban population divided by the rate of growth of total population.

Table 47. ESCAP region:
population age structure (percentage in major age groups), 1960 and 1975

Country or area ^a	1960			1975		
	Under 15 years	Working age: 15-64	Over 64 years	Under 15 years	Working age: 15-64	Over 64 years
Developing ESCAP ^c	42	55	3	42	55	3
South and west Asia	42	55	3	42	55	3
Bhutan	41	56	3	42	55	3
Nepal	42	56	2	42	55	3
Sri Lanka	42	54	4	39	57	4
Afghanistan	42	55	3	44	53	3
Burma	38	59	3	41	56	3
Iran	45	51	4	46	51	3
Pakistan	44	52	4	47	51	2
Bangladesh	44	53	3	46	49	5
India	41	56	3	42	55	3
Southeast Asia	44	54	3	43	54	3
Singapore	43	55	2	33	63	4
Lao People's Democratic Republic	41	56	3	42	55	3
Democratic Kampuchea	45	53	2	45	52	3
Malaysia	45	51	4	44	53	3
Thailand	45	53	2	46	51	3
Philippines	45	52	3	46	51	3
Viet Nam	36	61	3	41	55	4
Indonesia	41	56	3	44	54	3
North and east Asia	42	54	3	37	60	3
Mongolia	42	54	4	44	53	3
Hong Kong	41	56	3	32	64	4
Democratic People's Republic of Korea	44	53	3	42	55	3
Republic of Korea	43	54	3	37	60	3
China	37	58	5	33	61	6
Pacific ^d	...	...	...	...	...	...
Fiji	46	51	3	42	56	2
Papua New Guinea	41	57	2	42	55	3
Developed ESCAP	30	61	8	28	63	9
New Zealand	33	59	8	30	61	9
Australia	30	61	9	28	63	9
Japan	30	64	6	25	68	7

Source: International Bank for Reconstruction and Development, *World Development Report, 1978* (Washington, D.C., 1978), table 14.

Notes: ^a Listed in order of population size in each sub-group.

^b Figures for sub-groups are median values.

^c Not meaningful.

Table 48. ESCAP region:
urban population and urbanization, 1960s and 1970-1975

Country or area ^a	Urban population				Rate of urbanization ^c		Percentage of labour force in agriculture	
	Share of total ^b		Growth rate		(ratio)			
	(percentage)	(percentage per annum)	(percentage per annum)	(percentage per annum)	(ratio)	(ratio)		
	1960	1975	1960-1970	1970-1975	1960-1970	1970-1975	1960	1970
Developing ESCAP ^d	18	23	4.5	4.8	2.1	2.4	74	67
South and west Asia	17	22	4.3	4.7	1.8	2.1	74	69
Bhutan	3	3	4.3	4.6	1.9	2.0	95	94
Nepal	3	5	4.0	5.6	2.2	2.4	95	94
Sri Lanka	18	24	4.5	4.3	1.9	2.7	56	55
Afghanistan	8	12	5.2	5.4	2.3	2.3	85	82
Burma	17	22	3.8	4.8	1.8	2.2	68	67
Iran	33	44	5.0	4.7	1.7	1.8	54	46
Pakistan	20	27	2.9	5.3	1.0	1.7	61	59
Bangladesh	5	9	4.8	3.8	1.7	1.9	87	86
India	18	22	3.5	3.8	1.5	1.7	74	69
Southeast Asia	14	21	4.6	4.8	1.8	1.9	78	71
Singapore	69	90	4.7	2.5	2.0	1.5	8	3
Lao People's Democratic Republic	8	11	5.0	4.9	2.1	2.2	83	79
Democratic Kampuchea	10	23	9.5	6.1	4.1	2.1	82	78
Malaysia	26	30	3.6	4.7	1.3	1.7	63	50
Thailand	13	17	4.8	5.3	1.5	2.0	84	80
Philippines	30	36	4.3	4.8	1.4	1.6	61	53
Viet Nam	13	17	4.3	4.6	1.6	1.6	82	76
Indonesia	15	19	4.4	4.7	2.1	2.0	75	66
North and east Asia	29	47	5.3	4.9	3.1	2.9	66	55
Mongolia	37	51	5.3	5.4	1.9	1.9	70	62
Hong Kong	88	95	3.1	1.7	1.2	0.9	8	4
Democratic People's Republic of Korea	29	43	5.8	5.1	2.1	2.0	62	55
Republic of Korea	28	47	6.2	4.9	2.3	2.7	66	51
China	19	24	3.2	3.3	2.0	1.9	75	68
Pacific	...	...	...	...	...	...	...	...
Papua New Guinea	3	13	12.9	10.1	4.8	4.4	89	86
Developed ESCAP	76	83	2.5	2.2	2.3	1.7	15	12
New Zealand	76	83	2.5	1.9	1.5	1.3	15	12
Australia	80	86	2.5	2.2	1.3	1.6	11	8
Japan	63	75	2.4	2.3	2.2	1.8	33	20

Source: International Bank for Reconstruction and Development, *World Development Report, 1978* (Washington, D.C., 1978), tables 13 and 14, and table 45, above.

Notes: ^a In order of 1970 population size in each sub-group.

^b Threshold criterion differs among countries.

^c Urban growth rate upon population growth rate.

^d Figures for sub-groups are median values and their derivatives.

dysfunctional characteristics) it would appear that the profits which accrue from agglomeration economies⁸³ trickle down to the urban proletariat in a niggardly fashion. Meanwhile the diseconomies of agglomeration — the excessive travel times from home to work, the crowding, the lack of amenities for the working classes — do not enter into the profit-and-loss statements of the enterprises which gain advantage from the availability of a pool of labour continuously replenished by an inflow of unskilled manpower from the countryside. Moreover, apart from the clearly exceptional cases of Hong Kong and Singapore, high rates of urbanization, while they continue to augment the urban populations of the regions' developing countries, do not generally offer the recompense of a reduction of numbers in the often heavily populated countryside. Judging from the available data, it would appear that only in the Republic of Korea has the absolute number of the population in rural areas actually declined.

Policy perspectives

283. Much of the emphasis in population policy has been placed rather narrowly upon family planning and efforts to influence fertility rates. As noted earlier, the efficacy of such policy measures depends upon a number of broader considerations, mainly economic in character, which make reduction of fertility an economically rational choice for the typical family. Short of Draconian methods which are politically difficult to sustain, the possibility of achieving dramatic effects upon rates of population growth are severely limited. It appears that the influence of urbanization and its socio-economic concomitants on the attitudes and reproduction patterns of urban families remain the most pervasive influences affecting the demographic transition.⁸⁴ Nevertheless, many developing countries in the region have mounted and sustained comprehensive programmes to encourage family planning and a record of successful results seems to be accumulating. Over the past two and a half decades, government support for family planning programmes has spread to virtually all developing countries in the region. Population policy targets and changes in birth rates are presented in table 49, together with other, related indicators.

284. Clearly, the observed declines in fertility and birth rates cannot be attributed solely to the practice of family planning, nor does all family planning practice result from government programmes. Crude birth rates may be expected to fall because of changes in the age structure of the population or changes in marriage patterns. Studies in the Republic of Korea and Sri Lanka have

indicated that only about one third of the decline in the birth rates could be attributed to increased use of contraceptive methods.

285. Finally, it should be noted that there are a number of facets which deserve consideration as components of a comprehensive population policy. Some of these consist in population-related aspects of policies focused primarily on other subjects than population *per se*, such as health, nutrition, housing and education. Increasingly governments are finding it necessary to plan for the geographical distribution of population⁸⁵ and for the creation of a network of conurbations which will provide nuclei for economic growth. Urban planning and rural resettlement programmes, particularly as they involve the flow of spontaneous migration from rural areas, are being undertaken in explicit recognition of the broader framework of a comprehensive policy for population growth and its distribution. That such policies merge with economic and social planning goes almost without saying.

2. Labour force growth and its determinants

286. Thus far during the 1970s, the growth of labour force in the great majority of developing countries in the ESCAP region has been taking place at rates more rapid than during the 1960s⁸⁶ (table 50). This has been the result of several factors, the major one being the rate of population growth during the 1960s and earlier.

287. The slight retardation of population growth in the 1970s has not generally resulted in an increased share of the population in the working ages (15-64) although moderate increases in this share do appear in a few countries (cf. table 47 above). In addition to China and the Democratic People's Republic of Korea, the working-age share of the population has increased in Fiji, Hong Kong,

⁸³ External economies derived from the geographical concentration of economic activities.

⁸⁴ Data relating to the mid-1970s for a dozen developing ESCAP countries reflect what appear to be significant associations between the proportion of married women using family planning methods and such indicators as the proportion of urban to total population, adult literacy rates and female primary school enrolment ratios. See A. Binnendijk, "Socio-economic indicators of basic needs, progress and commitment for 92 developing countries" (Washington, D.C., United States Agency for International Development, 1978) (draft; mimeo.). Cf. table 49.

⁸⁵ The best-known example is the Indonesian effort to induce large-scale internal migration from the densely-populated island of Java to other islands in the archipelago, commonly known as "transmigration".

⁸⁶ The exceptions are apparently special cases (Bangladesh, Fiji, Hong Kong), while the rates were approximately equal for the Republic of Korea. It will be noted that labour force growth slackened in all three of the developed countries of the region.

Malaysia, Republic of Korea, Singapore and Sri Lanka. A survey of the estimated labour force participation rates (PR) for the developing countries of the region does not seem to provide corroboration, for with few exceptions these rates have generally declined between the early 1960s and the mid-1970s.⁸⁷

288. Though these indicators fail to explain the observed acceleration in the growth of labour force in most developing countries in the region, by inference this failure emphasizes the importance of earlier, high rates of population growth.⁸⁸ At least two important observations are appropriate: first, that the growth of labour force during the current decade and its continuation at relatively high rates in the 1980s are not mere extrapolations. Taking age 15 as the common labour force entry age, all of the new entrants into the labour force of the 1980s had been born by 1975. As population

growth rates have generally declined only moderately in the 1970s, rates of labour force growth cannot be expected to slacken markedly before the end of the 1980s. The second observation follows from the first, namely that the employment problem which has already become acute in many countries will continue and probably become more serious in the foreseeable future.

⁸⁷ Though the PR estimates in table 51 cover only the period 1960-1970, the direction of change seems generally to have persisted during the 1970s, with some exceptions during the boom years in which employment opportunities expanded rapidly in several countries. See, for example, the data for Peninsular Malaysia, 1967/68-1974 in table 52 below.

⁸⁸ This superficial paradox arises from the observation of relative, rather than absolute changes. Population growth has continued, though at somewhat slower rates; within this total, the working age group amount to 50-60 per cent and the absolute size of this segment has also continued to expand (with few exceptions); and the moderate declines in participation rates have permitted absolute annual increments to labour force to rise at moderately increasing rates.

Table 49. Selected ESCAP countries and areas:
population policy targets and indicators, mid-1970s

Country or area ^a	Policy targets			Related indicators				
	Measure ^b	Target		Crude birth rate (1975)	Change in crude birth rate 1960-1975 (percentage)	Percentage of married women using FP ^d	Per capita expenditure on FP (1976) (\$US)	FP shares of health budget (1976) (percentage)
		Period	Rate (per thousand) ^c					
South and west Asia								
Nepal	CBR	...	...	46	0.0	14	0.11	9.8
Sri Lanka	CBR	...	...	27	-25.0	44	0.11	...
Iran	RNI	1973-1978	31-26	45	-4.3	23	0.88	9.0
Pakistan	CBR	1978-1983	44-36	47	-4.1	6	0.34	...
Bangladesh	CBR	1973-1978	47-43	46	-9.8	9	0.18	4.5
India	CBR	1974-1979	35-30	36	-18.2	24	0.28	46.0
Southeast Asia								
Singapore	CBR	1970-1975	22-18	18	-52.6	77	0.41	1.3
Malaysia	CBR	1975-1980	31-28	31	-20.5	34	...	2.1
Thailand	RNI	1976-1981	25-21	34	-26.1	32	0.09	0.8
Philippines	CBR	1977-1982	35-32	36	-20.0	22	0.58	6.5
Indonesia	CBR	1970-2000	42-22 ^e	40	-14.9	18	0.16	32.7
East Asia								
Hong Kong	CBR	...	...	18	-48.6	64	0.14	...
Republic of Korea	RNI	1976-1981	25-21	24	-41.5	44	0.22	4.6

Sources: Cols. 1-3: National plans; Indonesia and Singapore, Country statements, ESCAP Committee on Population, first session, 1976. Cols. 4-5: International Bank for Reconstruction and Development, *World Development Report*, 1978 (Washington, D.C., 1978), table 15. Cols. 6-8: A. Binnendijk, "Socio-economic indicators of basis needs, progress and commitment for 92 developing countries" (Washington, D.C., United States Agency for International Development, 1978) (draft; mimeo.).

Notes: ^a Listed in order of population size in each sub-group.

^b CBR: crude birth rate; RNI: rate of natural increase. CBR indicated for countries and areas for which no policy statement is available.

^c Rates of natural increase per thousand per annum.

^d FP: family planning methods; married women of reproductive age, 15-44 years; estimates for most recent year since 1970.

^e Figures interpolated to estimate target, stated as 50 per cent reduction of 1970 CBR by the year 2000.

Table 50. ESCAP region:
labour force estimates, 1960, 1970 and 1975; growth rates, 1960s and 1970-1975

Country or area ^a	Labour force (million)			Growth rate (percentage per annum)	
	1960	1970	1975	1960-1970	1970-1975
Developing ESCAP	662.21	781.20	857.74	1.7	1.9
South and west Asia	247.44	295.12	326.60	1.8	2.0
Bhutan	0.44	0.52	0.57	1.8	2.0
Nepal	4.59	5.47	6.07	1.8	2.1
Sri Lanka	3.39	4.19	4.74	2.1	2.5
Afghanistan	4.95	5.95	6.60	1.9	2.1
Burma	10.63	11.90	12.88	1.1	1.6
Iran	6.43	8.22	9.35	2.5	2.6
Pakistan	14.45	17.36	20.26	1.8	2.6
Bangladesh	18.52	23.40	25.34	2.4	1.6
India	184.05	218.09	240.79	1.7	2.0
Southeast Asia	82.42	100.99	114.77	2.1	2.6
Singapore	0.55	0.73	0.85	2.8	3.2
Lao People's Democratic Republic	1.31	1.49	1.62	1.4	1.6
Democratic Kampuchea	2.30	2.85	3.21	2.1	2.4
Malaysia	2.71	3.53	4.14	2.7	3.2
Thailand	13.53	16.66	19.22	2.1	2.9
Philippines	10.97	13.75	15.71	2.3	2.7
Viet Nam	16.91	18.77	20.32	1.1	1.6
Indonesia ^b	34.15	43.20	49.70	2.4	2.9
North and east Asia	331.18	383.69	414.82	1.5	1.6
Mongolia	0.40	0.49	0.55	2.1	2.4
Hong Kong	1.19	1.62	1.87	3.2	2.9
Democratic People's Republic of Korea	4.77	5.99	6.95	2.3	3.0
Republic of Korea	8.24	10.98	12.67	2.9	2.9
China	316.59	364.61	392.79	1.4	1.5
Pacific ^c	1.16	1.41	1.55	1.9	2.0
Fiji ^d	0.11	0.15	0.17	3.3	2.4
Papua New Guinea	1.05	1.26	1.38	1.8	1.9
Developed ESCAP	49.45	59.91	64.45	2.0	1.5
New Zealand	0.88	1.10	1.21	2.2	1.9
Australia	4.12	5.32	5.90	2.6	2.1
Japan	44.44	53.49	57.34	1.9	1.4
Total ESCAP	711.65	841.11	922.19	1.7	1.9

Sources: 1960 and 1970: International Labour Organisation, *Labour Force, 1950-2000* (Geneva, 1977), vols. 1 and IV *passim*. 1975: estimated using growth rates from International Bank for Reconstruction and Development, *World Development Report, 1978*, table 13, and national sources.

Notes: ^a Listed in order of 1970 population size in each sub-group.

^b Adapted from M. Leiserson and others, "Employment and income distribution in Indonesia" (International Bank for Reconstruction and Development Working Paper, 1978), pp. 9ff. (mimeo.).

^c Fiji and Papua New Guinea only.

^d Fiji, *Statistical Abstract, 1970/71* and *Current Economic Statistics*, January 1978.

289. The size and composition of the labour force are determined by a number of variables in conjunction with the age and sex structure of the population. These variables reflect the circumstances which condition the choice of individuals whether to seek remunerative work. Among the relevant circumstances are the person's age, health and physical condition, alternative means of support, educational opportunities, marital status, the availability of employment, and social attitudes and pressures. For most males, once schooling has been completed, there is little choice but to enter the labour market. Participation in the labour force by males in the working ages ranges around 85 per cent in a representative selection of developing countries of the ESCAP region (table 51) and has generally been declining since 1960. The reasons for this decline are found chiefly in increased duration of school attendance for the youth and earlier and more frequent instances of retirement among the older workers; the expansion of pension systems in the modern sector has contributed to the frequency of formal retirement.

290. The range of variation of female labour force PRs is clearly much greater than that for males. In part this variation stems from differences among countries in attitudes towards women's engaging in remunerative work. Traditional attitudes towards working women have not only a substantive influence on actual participation but also influence the accuracy of responses to inquiry regarding a woman's labour force status. It is likely that such differences render intercountry comparison of women's participation rates highly unreliable.⁸⁹ Though comparisons over time for a particular country are sometimes subject to serious qualification, the major sources of discrepancy (for example, seasonal variations in participation rates) can usually be ameliorated. Inter-temporal comparability of the data in table 51 appears to be quite adequate to reflect a marked contrast between the changes in women's participation rates and those for men.

⁸⁹ Given the considerable contribution of women to the work in smallholder agriculture in most if not all developing countries of the region, some correspondence might be expected between female participation rates and the share of labour force in agriculture; no such association is discernible in the data in table 51.

Table 51. Selected ESCAP countries and areas:
labour force participation rates by sex, 1960 and 1970
(age 15 and over)
(percentage)

Country or area ^a	1960			1970		
	Male	Female	Total	Male	Female	Total
South Asia						
Sri Lanka	83.9	27.4	57.6	81.8	28.0	56.4
Pakistan	90.0	9.2	51.8	86.0	9.2	49.2
Bangladesh	92.5	18.0	57.0	91.2	19.1	56.6
India	89.6	42.6	67.1	86.1	42.2	64.9
Southeast Asia						
Singapore	87.7	25.5	58.7	81.1	30.1	56.5
Malaysia	86.5	32.5	60.2	82.3	37.1	59.8
Peninsular ^b	88.7 ^c	30.8 ^c	61.0 ^c	81.3	37.2	56.8
Thailand	89.5	81.5	85.4	86.6	73.2	79.8
Philippines	88.9	45.3	66.9	85.1	41.4	63.2
Indonesia	87.9	30.9	58.7	86.4	34.6	59.4
East Asia						
Hong Kong	90.4	36.6	64.0	84.8	42.7	63.9
Republic of Korea	86.8	27.6	56.5	81.8	38.1	59.6
Developed ESCAP						
Japan	85.0	50.5	67.2	84.3	51.0	67.2

Source: International Labour Organisation, *Labour Force, 1950-2000*, vol. I (2nd ed., Geneva, 1977).

Notes: Figures standardized for 1960 and 1970 do not necessarily match national publications.

^a Ranked by 1970 population size in each sub-group.

^b Peninsular Malaysia, 1957 and 1970, from population census data; age group: 15-64 years.

^c 1957.

291. Whilst the pattern of change in male participation between 1960 and 1970 without exception reflects a decrease in rates, changes in female rates were predominantly increases. Women's rates were consistently lower than men's in both years and typically much lower. This contrast notwithstanding, it appears that women have been subject to similar changes in circumstances which might be expected to influence their labour force participation rates. Increasing urbanization, increased periods of schooling and typically lower rates of participation in non-agricultural activities would seem to point in the direction of decreasing participation rates for women. Although more marked in the 1970s than earlier, expanded employment opportunities for women in industry, commerce and many services might be expected to encourage an increase in women's participation in the labour force. Moreover, although female school enrolment ratios have been rising more or less parallel with those of males in comparable age groups, the greatest absolute increases have occurred in primary school enrolments where the affected age groups are below the normal labour force entry ages of 12 or 15 years. Though female enrolment rates at secondary school level have also been increasing, the proportions are sufficiently small to permit a concurrent increase in labour force participation in the same age groups.⁹⁰

292. Though detailed data for individual countries can scarcely be taken as generally representative, it is useful for an understanding of the interplay of variables such as sex-differentiated participation rates and rural and urban differences in labour force participation to review briefly an example of such data. Participation rates disaggregated by sex and rural-urban strata are presented in table 52 for Indonesia and Peninsular Malaysia. Although for several reasons the synopses for the two countries are not directly comparable, both reflect the growing importance of increased female shares in the labour force coupled with the contrasting behaviour of female PRs as compared to those for males.⁹¹ In both countries, as a result of increasing female PRs relative to male, the proportion of total labour force comprised of women increased markedly between the terminal dates given in the table; this increase appears in both the rural and the urban strata. Nevertheless, the female share of labour force remained closer to a third than two fifths, except in rural areas in Peninsular Malaysia.

293. Whereas women's PRs were persistently higher in rural than in urban areas in both countries, the greatest increase in these rates occurred in rural areas in Indonesia. In Peninsular Malaysia, where urban employment opportunities for women expanded rapidly after 1972, drawing into the labour

force large numbers of young women who might otherwise not have sought remunerative employment, women's PRs increased by a considerably larger margin in urban than in rural areas. While the decline in male PRs in both strata in Indonesia is consistent with the pattern displayed by all the countries in table 51, in Peninsular Malaysia the pattern differs, with a minor decrease in male PRs in rural and a small increase in urban areas. Again, this behaviour most probably reflects the expansion of urban employment opportunities during the export boom of 1973 and 1974. The resultant absence of change in the total male PR between 1967/68 and 1974 does not necessarily represent an abiding departure from the pattern of decline in male rates established by the census data shown in table 51.⁹²

294. Important as PRs are to the determination of the size and composition of the labour force, it is apparent that the circumstances which influence them are complex and subject to considerable short-term variability. Analysis of the characteristics of labour force participation requires detailed recurrent data of the kind generated by a sequence of labour force surveys. Surveys designed to collect such data are now being mounted by a growing number of developing countries in the region. The flow of information required by manpower planners

⁹⁰ It may also be noted that two of the three countries in table 51 with decreasing female participation rates, had relatively high female secondary school enrolment ratios (Philippines) or a large female proportion in total secondary enrolments (Thailand). Contrasts appear in Singapore, among the highest female secondary enrolments and enrolment shares, but with a marked rise in female labour force participation; and in the opposite direction, India, with decreasing female participation and low female secondary enrolment. Clearly the relevant proportions and the specific influences differ so widely among countries as to defy facile generalizations.

⁹¹ As the notations in table 52 indicate, the specifications of the participation rates reflect important differences both between the countries and, to a lesser degree, over time for each country. The major differences include the age groups covered, the type of inquiry (census vs. sample survey) and the dates, time-span and timing of the inquiries. Doubtless of greater importance to the validity of the generalizations embodied in national averages are the differences of scale; whilst the labour force of Peninsular Malaysia in 1974 was of the order of 3 million persons, that of Indonesia in 1976 exceeded 50 million.

The 15-year interval between the two sets of PR estimates for Indonesia opens the possibility of a great deal of interim variation and hence permits no assessment of trends. But for the fact that participation rates derived from the 1971 population census are considered to be too low to be realistic, use of data from that year would have been preferable. See M. Leiserson and others, "Employment and income distribution in Indonesia" (Washington, D.C., International Bank for Reconstruction and Development, October 1978), Studies in Employment and Rural Development No. 51 (mimeo.), pp. 9ff.

⁹² The marked difference in the levels of male PRs derived from the 1970 census for Peninsular Malaysia (table 51) and those derived from the two surveys (table 52) suggest the possibility of non-comparability. The methods used for the 1967/68 inquiry might well be expected to produce higher PRs (for both sexes) through averaging of data collected at different times throughout the year (see note, table 52).

Table 52. Indonesia and Peninsular Malaysia:
labour force participation rates, by sex and
rural-urban strata 1961-1976 and 1967/68-1974
(percentage)

			Total	Male	Female	Female share of labour force in stratum (percent- age)
Indonesia (ages 15+)	September 1961	Total	59.2	88.9	31.2	27.2
		Rural	60.2	90.4	32.0	27.5
		Urban	53.5	80.9	26.5	24.9
	September-December 1976	Total	63.8	87.0	42.1	34.1
		Rural	66.4	89.5	44.9	35.0
		Urban	52.2	76.0	29.4	28.6
Peninsular Malaysia (ages 15-64)	1967/68*	Total	64.8	86.9	43.2	33.7
		Rural	67.8	88.3	47.9	35.8
		Urban	59.1	84.3	34.3	29.2
	April/May 1974	Total	65.7	86.9	46.1	36.5
		Rural	68.0	87.8	50.0	38.4
		Urban	60.8	85.0	38.1	32.2

Sources: Indonesia: Central Bureau of Statistics, *1961 Population Census Series, SPII; Labour Force Survey, September-December 1976*, as cited in M. Leiserson and others, "Employment and income distribution in Indonesia" (Washington, D.C., International Bank for Reconstruction and Development, 1978) (mimeo.). Malaysia: Department of Statistics, *Socio-economic Sample Survey of Households, 1967/68*, vol. I (Kuala Lumpur, 1970); *Report of the Labour Force Survey, April/May 1974* (Kuala Lumpur, 1977).

Note: * Twelve-month survey period, subdivided into three rounds (subperiods) during each of which week-long reference periods for labour force information were moved through the survey round.

is still far from ample in most countries, however, particularly as the concern for expanding employment opportunities is increasingly being recognized as a *sine qua non* for development through enhanced popular participation.

3. Employment

295. During the 1970s, employment appears to have been expanding at a substantially faster pace than has the labour force in most of the countries for which data are available (table 53). To the extent that the selected countries are representative, employment in east and southeast Asian countries has generally grown at faster rates than in south Asia. The available information is inadequate, however, not only in respect of the number of countries covered but also with regard to the adequacy of the indicators.⁹³ The implication of employment growth rates which exceed those of labour force is that open unemployment has been on the decline although in some countries there is evidence to the contrary. A further observation is that total employment in the countries

covered increased regularly throughout the period. Declines appear in two cases (Burma in 1972 and Iran in 1975) while the employment index reflects no change in two others, Singapore in 1975 and Fiji in 1976 (paid employment only). Given the considerable variation in production levels during these years, this is an impressive record.

296. The data for manufacturing employment display growth rates which typically exceed those for employment as a whole, implying an increasing share of manufacturing in total employment. Apart from India and Fiji where the data refer solely to the organized sector, only in the Philippines did manufacturing employment expand less rapidly than total; for Sri Lanka, the annual data for manufacturing and total employment display remarkably uniform rates of change. The growth of manufacturing employment in the Republic of Korea far exceeded that of over-all employment.

⁹³ Coverage is often incomplete within countries, though this is sometimes indicated, for example, for India and Fiji in table 53. See below, foot-note 96.

Table 53. Selected developing ESCAP countries and areas:
employment indexes, total and manufacturing, 1970-1977
(Index: 1970 = 100)

Country or area	1970 employ- ment ^a (thousand)	1971	1972	1973	1974	1975	1976	1977	1970-1977 average annual percentage change
South and west Asia									
Sri Lanka									
Total	3,285	102	104	106	107	109	...	...	1.7 ^b
Manufacturing	315	102	104	106	107	109	...	...	1.7 ^b
Iran ^c									
Total	8,647	103	107	109	113	112	115	...	2.4 ^d
Manufacturing ^e	1,724	105	111	118	127	124	133	...	4.8 ^d
Burma ^f									
Total	10,867	101	103	105	107	108	110	114	1.9
Manufacturing	745	102	112	108	111	114	117	118	2.5
India ^f									
Total ^g	17.1	102	106	110	113	115	118	121 ^h	2.8
Manufacturing ^g	4.7	102	104	108	111	110	113	115 ^h	2.0
Pakistan ⁱ									
Total ^g	17.8	103	104	108	111	113	116	...	2.6 ^d
Southeast Asia									
Singapore									
Total	651	107	114	123	127	128	134	139	4.8
Manufacturing	143	108	121	133	164	152	163	172	8.3
Malaysia									
Total	3,340	103	106	110	114	118	122	126 ^h	3.4
Manufacturing	290	107	113	121	129	137	153	165 ^h	7.4
Philippines									
Total	11,772	107	112	113	123	123	131	...	4.6 ^d
Manufacturing	1,402	105	105	101	108	118	120	...	3.1 ^d
Thailand									
Total	16,764	96	102	102	108	121	116	...	2.7 ^d
East Asia and Pacific									
Fiji ⁱ									
Total	52	110	113	119	130	136	136	...	5.3 ^d
Manufacturing	9	111	108	111	130	140	125	...	4.2 ^d
Hong Kong									
Total	1,544	102	105	108	111	115	119	122	2.8
Manufacturing	537	104	107	108	105	117	140	141	5.2
Republic of Korea									
Total	9,745	103	108	114	119	121	129	133	4.1
Manufacturing	1,284	104	112	138	157	172	209	218	12.0

Sources: Burma: Asian Development Bank, *Key Indicators* (Manila), vol. IX, No. 2, October 1978; Fiji: Bureau of Statistics, *Current Economic Statistics*, October 1977, and International Labour Organisation, *Yearbook of Labour Statistics*, 1977; Hong Kong: Census and Statistics Department, *Monthly Digest of Statistics*, various issues (estimates of total employment for 1970 and 1972-1974, interpolated at intercensal rates); India: *Economic Survey 1977/78*; Iran: Plan and Budget Organization, *Economic Trends of Iran* (5th ed.), 1978; Republic of Korea: Bank of Korea, *Economic Statistics Yearbook*, 1978, table 136; Malaysia: Ministry of Finance, *Economic Report 1977/78*; Pakistan: Asian Development Bank, *op. cit.*; Philippines: NEDA, *Philippines Yearbook*, 1977 and 1978; 1970: Asian Development Bank, *op. cit.*; Singapore: *Yearbook of Labour Statistics*, 1976, table 7; 1971-1972, interpolated on basis of *Singapore Yearbook of Statistics 1977/78*, table 3.1; Sri Lanka: Asian Development Bank, *op. cit.*; Thailand: *Yearbook of Labour Statistics 1976 and Handbook of Labour Statistics 1976*.

Notes: ^a Listed by size of total employment in 1970.

^b 1970-1975.

^c Year beginning 22 March.

^d 1970-1976.

^e Includes mining but excludes oil sector.

^f Year ending 30 September.

^g Millions.

^h Preliminary.

ⁱ Year ending 30 June.

^j Fiji: paid employment only; India: organized sector only.

297. In contrast to the pattern of growth in total employment, the greater sensitivity of manufacturing to elements of instability, whether domestically or externally engendered, is reflected in the data for several economies. In at least four instances, the declines in manufacturing employment—in Hong Kong (1974), the Philippines (1973), Singapore (1975) and Fiji (1976)—are mainly attributable to external causes; in India and Iran, however, the declines were mainly the result of domestic circumstances.

298. These differential growth rates in total and manufacturing employment not only imply structural change but may also be of significance for policy with regard to the capacity of a growing manufacturing sector to create employment opportunities. Performance has been far from uniform among the 10 economies for which comparison can be made. Employment in manufacturing as a share of total employment increased markedly over the period covered by the available data in five of the 10 economies for which pertinent data are available, in order of magnitude: the Republic of Korea, Iran,⁹⁴ Malaysia, Singapore and Hong Kong. No change in the manufacturing share has occurred in Sri Lanka and only a negligible increase appears in Burma; for the Philippines, the tendency was a general decline in the share, though with a partial recovery in 1975. For India, the share of manufacturing in total employment in the organized sector declined over the period. The proportion of total employment provided by the manufacturing sector in Fiji (where only paid employment is recorded, thus exaggerating the apparent importance of the manufacturing share) shows no clear tendency over the period 1970-1976. Thus, though the sample is small, manufacturing appears to have been a leader in the provision of employment opportunities in only a few economies. Even a cursory comparison of the rate of growth of employment in manufacturing with the rate of expansion of manufacturing production (cf. section II.B.2 above) indicates that any rise in the employment/output coefficient has been modest at best.

Sectoral changes in employment

299. As the comparative growth rates of total employment and employment in manufacturing suggest, in most developing economies of the ESCAP region changes in the structure of employment have been taking place during the period of the 1960s and 1970s. The data which reflect these changes (table 54) are far from uniform but they are sufficient to provide an overview of the changes in progress. The predominance of agriculture as a source of employment is clearly reflected in these

data. As growth and structural change have occurred the proportion of total employment in agriculture has quite generally declined though the variations among countries are considerable. The use of percentage shares tends to de-emphasize the circumstance that for most of these countries the absolute number of the economically active population engaged in agriculture has continued to rise even as the share of agricultural employment has fallen. Among the developing economies the exceptions (apart from Hong Kong and Singapore) seem to be confined to Iran and Thailand where the percentage shares have fallen most abruptly, though the magnitude and expansion of agricultural employment in both Fiji and the Republic of Korea appear to have stagnated by the mid-1970s. The implications of such changes for the continued flow of unskilled labour into non-agricultural employments are apparent.

300. In most of the economies for which data appear in table 54, the broad industrial sector—and within industry, manufacturing in particular—has apparently been the prime mover in the structural change in employment which has occurred. On the whole, this impression corresponds with the patterns visible in table 53. Nevertheless, these relative changes obscure in many instances the problem of the inability of all but the most dynamic manufacturing sectors to create employment opportunities sufficiently great to absorb an annual increment of the labour force in proportion to the growth of manufacturing output. Given the existence in most countries of a backlog of unemployment in urban areas and the continuing flow of unskilled workers from rural areas into urban centres, it has become increasingly apparent that new approaches to the problem of employment creation are a matter of urgency.

301. Quite generally, changes in employment status in the process of development have been concomitant with changes in the sectoral structure of employment away from agriculture and towards secondary and tertiary activities. In particular, an increase in the proportion of the labour force engaged in employment for wages or salaries—as distinct from self-employment or unpaid family labour—characteristically reflects an increasing level of commercialization of an economy. For the developing ESCAP region the available data which would reveal such changes are both scarce and in some respects ambiguous. Reasonably clear indications of an increasing share of wage and salary earners among the employed labour force over a meaningful period in the 1960s and 1970s are

⁹⁴ The data include mining and manufacturing, but exclude the oil sector, for which in any case, employment is relatively small.

Table 54. Selected ESCAP economies:
employment by major sector, 1960s and 1970s^a
(percentage shares)

Country or area ^b	Year	Agriculture	Industry		Services	Other ^d
			Total ^c	Manufacturing		
South and west Asia						
Iran ^e	1966	50.0	25.0	17.5 ^f	25.0	—
	1972	40.2	29.9	21.2 ^f	29.9	—
	1976	34.3	33.7	23.5 ^f	32.0	—
Sri Lanka	1963	52.9	13.1	9.8	28.7	5.3
	1971	50.1	12.8	9.3	28.5	8.6
Pakistan	1976	54.8	18.4	13.6	26.5	0.3
Burma	1975/76	69.0	11.0	7.3	15.5	4.5
India	1961	72.9	10.8	9.5	15.1	1.2
	1971	72.0	11.5	9.5	15.8	0.7
Nepal	1961	93.8	2.1	1.9	3.3	0.8
	1971	94.4	1.2	1.1	4.4	—
Southeast Asia						
Singapore	1966	3.5	27.2	19.2	69.0	0.3
	1970	3.5	30.1	22.0	66.3	0.1
	1976	2.5	33.1	26.9	64.2	0.2
Malaysia	1970	52.2	13.0	8.4	29.1	5.7
Peninsular	1967/68	51.1	15.2	8.5	33.7	—
	1970	49.6	14.1	9.2	30.9	5.4
	1974	45.6	20.5	13.7	33.9	—
Philippines	1970	53.8	16.5	11.9	28.2	1.5
	1975	52.9	15.6	11.5	31.2	0.3
Thailand	1970	79.2	5.9	4.1	14.0	0.9
	1976	62.5	14.4	11.0	23.1	—
Indonesia	1961	71.9	7.9	5.7	18.3	1.9
	1971	64.2	8.4	6.5	22.8	4.6
	1976	66.0	8.9	6.7	23.5	1.6
East Asia and Pacific						
Hong Kong	1966	5.2	46.9	39.4	47.6	0.3
	1971	4.0	53.9	42.4	40.0	2.1
	1976	2.5	51.3	45.0	44.9	1.3
Fiji	1966	56.0	15.7	7.3	17.1	11.2
	1976	43.8	15.5	7.4	33.8	6.9
Republic of Korea	1966	57.1	13.9	10.1	29.0	—
	1970	50.7	20.2	14.3	28.8	0.3
	1976	44.6	26.3	21.3	29.1	—
Developed ESCAP						
Australia	1966	9.4	39.1	26.9	49.5	2.0
	1973	7.0	34.2	25.0 ^g	55.6	3.2
	1976	6.4	33.2	23.3 ^g	60.4	—
New Zealand	1966	13.1	37.8	26.6	48.4	0.7
	1971	12.3	34.8	24.8	51.8	1.1
	1976	10.1	34.6	24.2	52.4	2.9
Japan	1970	19.3	34.3	25.8	46.1	0.3
	1976	12.2	35.7	25.5	51.8	0.3

Sources: National census and labour force survey publications including those reproduced in International Labour Organisation, *Yearbook of Labour Statistics*, 1977, and earlier issues.

Notes: ^a Data are not always strictly comparable between economies, nor in some cases for a given economy in different years. Several sources include unemployed persons; these have been eliminated wherever possible. Age groups included differ considerably; some include ages 10+ and 12+, though most begin at 14+ years.

^b Listed in ascending order of share of agricultural employment in each sub-group in the most recent year for which data are available.

^c Includes mining, manufacturing, construction and utilities.

^d Insufficient information to permit classification.

^e Estimates from Plan and Budget Organization, *Economic Trends of Iran* (5th ed.), 1978.

^f Includes manufacturing, mining and petroleum sector.

^g Includes manufacturing and utilities.

discernible for a mere handful of developing economies: Pakistan (1960s only), the Republic of Korea, Singapore and Thailand. Comparable data for Hong Kong, Peninsular Malaysia and the Philippines show only negligible changes in the proportion of paid employees in total work force, while the proportion may have declined for Nepal and Sri Lanka. As is frequently the case, variations in definitions between successive surveys or censuses in individual countries reduce the level of comparability from one reading to the next, often sufficiently to cast serious doubt upon the validity of the comparisons.

4. Unemployment and the underutilization of human resources

302. An increasing volume of evidence, some of it impressionistic and much of it partial, is in process of being accumulated, which suggests that the degree of underutilization of human labour potential has been and generally continues to increase in many, if not most of the developing economies in the ESCAP region. Definitions of underutilization are varied but have in common the attempt to come to terms with the inadequacies of the standard definitions of employment and unemployment. The effort is being made in these attempts to gain a realistic, quantitative measure of both unemployment and underemployment; consequently this implies a more pragmatic definition of employment as well.⁹⁵ The statistics currently available for the developing economies of the ESCAP region generally pertain to the standard concepts of employment and unemployment, with few and markedly varied indications of the magnitude of underemployment. On the whole, the available data for employment and unemployment are even less satisfactory in terms of precision and comparability than those for the labour force. Underlying the inadequacies of the available data is the concept of employment, and by extension, that of unemployment as well. Though variants of the definitions exist and measurements have been attempted using them, the basic notion involves employment for wages in one form or another. In most developing economies, and those of the ESCAP region are by no means exceptional in this regard, the wage-employment relationship is confined to the modern sector. Given the relatively great importance of traditional agriculture in the economies of the region, the existence of not inconsiderable informal segments in employment in the broad industrial sector and the commonly even larger proportions of informal employment relations in the highly diverse tertiary sector, it is quite apparent that the standard definitions of employment are inappropriate for a major part, and in some cases the major part of total employment.⁹⁶

303. Underutilization of labour continues to present a major problem in the developing countries of the ESCAP region. Quite clearly, the rate of open unemployment does not adequately measure the extent of labour underutilization, particularly in rural areas. For persons to be openly unemployed requires that some means of support be available; this is usually the case only for particular groups, mainly the young and the relatively well-off who can rely on family support. This is borne out by available statistics of the characteristics of the unemployed in developing countries. Such support is obviously not available to the majority of the people, forcing them into casual and low income employment. The phenomenon of the working poor rather than the open unemployed is prevalent in the developing economies.

304. Labour underutilization has several identifiable characteristics which can be measured in terms of the duration and intensity of employment, income levels, productivity and ineffective allocation of labour. It is unlikely that one measure can be found to gauge these various aspects, nor would this be particularly desirable. A number of indexes reflecting the various facets of underemployment should be able to provide a sufficiently clear picture of labour underutilization. Reasonably accurate measures are required for planners to assess the extent to which economic growth has failed to absorb the available labour, to identify trends in the extent of labour absorption and to determine policy measures appropriate for the types of labour underutilization to be remedied.

⁹⁵ See for example, P. M. Hauser, "The measurement of labour utilization", *Malayan Economic Review*, vol. XIX, No. 1, April 1974.

⁹⁶ As illustrative, though not necessarily typical examples, of the magnitude of the measurement problem: India: employment recorded for the organized sectors of the economy, public and private, in 1971 totalled 17.5 million (Government of India, *Economic Survey, 1977/78*, appendix tables 3.1 and 3.2), or less than 8 per cent of the Planning Commission's estimate of total work force, which excludes the chronically unemployed. See Government of India, Planning Commission, *Draft Five-year Plan, 1978-1983*, table 4.1.

Fiji: paid employment, recorded annually by sector of activity, totalled 51,600 in 1970 and 70,000 in 1975; estimated total labour force amounted to 151,000 and 181,000 respectively in the same two years. See Government of Fiji, Bureau of Statistics, *Current Economic Statistics*, April 1977, and table 45, above.

An estimate of non-wage employment amounting to about two fifths of the total work force in Peninsular Malaysia in 1967/68 has been derived from the *Socio-economic Sample Survey of Households—West Malaysia, 1967/68*; cited in D. Lim, ed., *Readings on Malaysian Economic Development* (Kuala Lumpur, Oxford University Press, 1975), p. 187. Approximately the same proportion (39 per cent, for own-account and unpaid family workers) is found in the employment tabulations for 1974; see Malaysia, Statistics Department, *Report of the Labour Force Survey, April/May 1974* (Kuala Lumpur, 1977), table P.19.

305. Table 55 presents a number of estimates of underutilization of labour in selected countries according to various indicators currently being used to measure the extent of different types of underemployment. The results are not comparable between countries, as different cut-off points for full-time employment and minimum earnings are used. Nevertheless these findings clearly indicate that, though underemployment in terms of hours worked can be serious, underemployment according to the income criterion is much greater. Whilst the income criterion is to a degree arbitrary, it can be adapted to reflect the "poverty-line" chosen for policy considerations.

5. Employment policies

306. Policies which affect the growth of employment opportunities range widely across the gamut of production, investment and fiscal policies of governments, in addition to programmes explicitly designed to create jobs and reduce open unemployment. This is not the place for a discussion of broader policy horizons, even though they undoubtedly have more profound effects on employment levels than works programmes and employment-creation projects, simply because these broader policy issues embrace employment as one of several desiderata, most of which go far beyond the considerations directly relevant to the present section.

307. In recent years a great deal of criticism has been directed against the policies of industrialization which have excessively encouraged capital-intensive production methods. The definition of excessive in this connexion will presumably remain the subject of discussion for some time to come. The pragmatic criterion relevant here, however, is whether sufficient employment opportunities have been created to absorb the flow of job seekers and to provide them with adequate incomes. The accumulated evidence quite clearly demonstrates that in many if not most developing countries in the region this criterion has not been met. Changes in policy which are aimed at decreasing over-all capital intensity are subject to a number of constraints, not least those created by vested interests in the prevailing order, but equally importantly the limited range of technological choice for the production of a significant part of modern industrial output. It seems clear that the array of product choice, of technology and the degree of capital intensity is sufficiently broad and varied to permit considerable scope for patterns of product-technology-capital intensity combinations which will serve the needs of policy by meeting diverse and in part competing criteria.

Table 55. Selected developing ESCAP economies: estimates of labour underutilization
(per cent of labour force)

	Hong Kong		India 1973		Indonesia 1976		Malaysia (Peninsular) 1974		Philippines 1968		Republic of Korea 1974		Singapore		Sri Lanka 1973		Thailand 1975	
	1976		Rural	Urban	March	September							1966	1973	1973		Rural	Urban
Inadequately utilized ^a (total)	14.6		8.5	13.7	21.1	59.7	11.8	37.6	16.6	29.7	37.2	42.0	31.2	23.2	55.4			
(i) Unemployment	5.6		0.9 ^b	5.0 ^b	3.1	11.7	4.6	2.4	6.0	9.2	4.5	13.0	2.1	3.5	4.2			
(ii) Hours	0.4		7.5 ^d	8.7 ^d	18.0	48.0	1.9	10.6	2.5	3.3	5.1	29.0 ^e	1.8	1.5	1.3			
(iii) Income	8.6		...	...	...	...	5.3	24.6	8.1	17.2	27.6	...	27.3	18.2	49.9			

Sources: P. M. Hauser, "The measurement of labour utilisation — more empirical results", *Malayan Economic Review*, vol. XIX, No. 1, April 1977. P. M. Hauser, "Measurement of labour utilisation" in report of ASEAN Seminar on Concepts, Techniques and Methods of Data Collection regarding Employment, Underemployment and Unemployment, Jakarta, 1977. Government of India, Planning Commission, *Draft Five Year Plan, 1978-1983* (Delhi, 1978), tables 4.1 and 4.2. Central Bank of Ceylon, *The Determinants of Labour Force Participation Rates in Sri Lanka, 1973* (Colombo, 1974). Pang Eng Fong, "Labour force, utilisation and determinants in Singapore" (International Labour Organisation Population and Employment Working Paper No. 22, Geneva, 1975) (mimeo).

Major sources are the two articles by P. M. Hauser for India and Sri Lanka have been adapted from the national sources cited above; Singapore, 1966 from Pang Eng Fong.

^a P. M. Hauser's classification of the proximate sources of underutilization: (i) open unemployment; (ii) hours worked less than specified standard, which differs among the cases cited; (iii) income less than specified standard; differs among cases cited. An additional category, "mismatch", indicating underutilization due to employment which does not fully utilize the worker's training, has been omitted from the table for lack of information in most of the cases cited.

^b Chronic unemployment.

^c Underemployment for reasons not specified in source.

^d Irregular unemployment; approximates employment for less than standard number of hours.

308. Studies have shown that labour-intensive technology can be viable in a number of industrial sectors, construction, transport and agriculture, especially if factor prices are adjusted appropriately.⁹⁷ That producers respond to factor prices in selecting technology is illustrated by the coexistence within the same industry of capital-intensive techniques in the formal sector and labour-intensive techniques in the informal sector, together with widely divergent factor prices in these sectors. Moreover, "variations in the output mix offer considerable potential for altering economy-wide factor proportions",⁹⁸ not least in the area of labour-intensive export industries. Altering the output mix can be achieved by changes in foreign trade and taxation policy as well as factor-price intervention. The experience of Japan and the Republic of Korea provides examples of the success of such policies in creating substantial employment opportunities.

309. Some countries in the region have moved to reduce the bias in favour of capital-intensive production. In the current development plans of Bangladesh, Pakistan, the Philippines and Sri Lanka increased interest rates are anticipated for this purpose. In Malaysia, the Philippines and Thailand measures have been taken to promote export-oriented labour-intensive industries through tariff reforms, tax incentives and other fiscal measures; and in Malaysia, through the establishment of free trade export processing zones. Increasing emphasis is being put on developing mass consumption goods industries, in both private and public sector production. Attempts are being made in many countries of the ESCAP region to develop more appropriate technologies in agriculture, industry and construction. While it is not clear how effective these limited moves will be in bringing about significant changes in factor intensities and encouraging the expansion of more labour-intensive production, it seems that there remains meaningful scope for the introduction of labour-intensive production methods in agriculture, construction, transport and services.

(a) Sectoral policies

310. Employment strategies call for a redistribution of resources towards the small-scale informal sector in both agriculture and industry where production is more labour-intensive and a large proportion of the underemployed is to be found. Policy prescriptions for the expansion and improvement of productivity in the informal sector include access to credit and material inputs, marketing arrangements, tax incentives and a wide variety of technical services. In respect of agriculture, land redistribution and tenancy reforms are expected to improve substantially the position of small farmers and the

landless. Although substantial improvements in productivity have been achieved through improved infrastructure (chiefly irrigation), the introduction of HYV seed and the application of fertilizers and other modern inputs, the effects of these policies on employment have been mixed. A recent study⁹⁹ examining employment creation in Asian agriculture, particularly in rice cultivation, has arrived at the following conclusions: the increase in employment attributable to labour-using technologies in irrigation, drainage, HYVs, fertilizers and improved cultivation practices in rice cultivation in south and southeast Asian countries has been largely counterbalanced by the simultaneous application of labour-saving technologies such as the improvement of farm implements and mechanization of some irrigation processes, soil preparation, weeding, harvesting and threshing, drying and storage. This contrasts with the earlier experience in Japan and contemporary experience in China, where labour-using practices were first introduced while labour-saving practices came only at a much later stage following significant increases in inputs of labour per hectare.

311. A study of the employment effects of agricultural growth in India¹⁰⁰ found that a strategy which combined technical changes in agriculture with a rapid rate of growth in agricultural output (of 5 per cent) would result only in a 2 per cent rate of employment growth, even though indirect employment effects were taken into account. The employment effects of innovations, including tractor technology with a negative effect on employment, and HYVs, fertilizers and pesticide application with positive effects on employment, were found to have offset each other in many areas.

312. The majority of workers in manufacturing (70 per cent or more) in most developing countries in Asia are engaged in small-scale or household industries, many of which are located in rural areas. Although the expansion of employment in this sector has generally been slower than that in the large-scale sector, it has nevertheless provided many more employment opportunities than the large-scale manufacturing establishments and is likely to continue to do so in the foreseeable future.

⁹⁷ See for example research carried out by the International Labour Organisation World Employment Programme.

⁹⁸ Shankar N. Acharya, "Fiscal financial intervention, factor prices and factor proportions, a review of issues," *The Bangladesh Development Studies*, October 1975.

⁹⁹ Shigeru Ishikawa, "Labour absorption in Asian agriculture" (Bangkok, ILO/ARTEP, 1978).

¹⁰⁰ Raj Krishna, "Employment effects of agricultural growth" in Edgar O. Edwards (ed.), *Employment in Developing Nations*, a Ford Foundation Study (New York, Columbia University Press, 1974).

313. Evidence of the efficiency of the small-scale sector is mixed. In Pakistan smaller enterprises in the organized sector were found to produce the highest output per unit of capital, while unregistered small- and medium-scale establishments, with lower capital-labour ratios, produced less output per unit of capital than medium- and large-scale registered establishments.¹⁰¹ In the Philippines some small-scale industries were more efficient in the use of capital while in others, large-scale units were more efficient but the capital-labour ratio in small enterprises was found to be less than half that of the larger.¹⁰² In Sri Lanka both value-added and labour inputs per unit of capital were found to be higher in the small-scale as compared to the large-scale sector.¹⁰³

314. Such evidence suggests that the small-scale sector is capable of creating considerable employment, while making efficient use of capital. Recognizing this potential, governments are increasingly taking steps to promote the development of the small-scale sector. Many governments have established specialized agencies to support this sector, which are responsible for such activities as providing material inputs, technical assistance, training in skills and management techniques, marketing arrangements, industrial estates and organization of co-operatives. More ambitious measures have been taken in India and Sri Lanka where certain product lines have been reserved for small-scale industries and substantial excise duty exemptions have been granted to their products. Further development of small-scale industries may also be promoted by encouraging subcontracting by large enterprises to these small units and other measures to increase the linkages between the organized and the informal sectors.

(b) Special employment schemes

315. The mobilization of unemployed and under-employed labour for the construction of infrastructural works, has found widespread application in Asian countries. Examples of such schemes are the Bangladesh Works Programme, the People's Works Programme in Pakistan, the *Kabupaten* Programme in Indonesia, the *Tambon* Development Programme in Thailand (implemented in 1975 and 1976) and a variety of programmes in India.

316. The effects of such schemes on employment and incomes depends primarily on their size and most of the programmes have not been large enough to have a significant impact in rural areas. However, since in most schemes workers are employed for a relatively short period, the number of beneficiaries of the direct employment effects can

be substantial. In the *Kabupaten* Programme in Indonesia 436,000 employment units of 100 man-days were created in 1972/73,¹⁰⁴ while in Thailand possibly 3.8 million workers participated in the 1976 *Tambon* Development Programme for an average period of 15 days.¹⁰⁵ The Crash Scheme for Rural Employment operated in India¹⁰⁶ created work for nearly a million workers on average each year. To achieve a more concentrated effect, a Pilot Intensive Rural Employment Programme was undertaken in a number of community blocks throughout the country from 1972 to 1975, designed to provide full employment in the blocks. An ambitious programme has also been undertaken in Maharashtra state, where the Employment Guarantee Scheme aims "to provide gainful and productive employment in approved works to all unskilled workers in rural areas, who need work and are prepared to do manual work. . . ."¹⁰⁷ The Scheme has been allocated a budget amounting to 10 per cent of the State's development expenditure.

B. PERFORMANCE IN BASIC NEEDS

Introduction

317. In the following four sections, a cursory attempt is made to review the current situation in the developing countries of the ESCAP region with respect to the basic human needs of food, health, education and housing. Inevitably, any such assessment of the status of needs is liable to suffer from an insufficiency of detailed information, but a subsidiary purpose of this section is to provide some perspectives for policies on the basis of the available evidence. Its bent, therefore, is as much prescriptive as it is descriptive.

¹⁰¹ Javed Hamid, "Choice of technology, employment and industrial development", paper presented at Employment and Basic Needs Seminar in Islamabad, May 1978.

¹⁰² International Labour Organisation, *Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines* (Geneva, 1974).

¹⁰³ International Labour Organisation, *Matching Employment Opportunities and Expectations, A Programme of Action for Ceylon* (Geneva, 1971).

¹⁰⁴ Since 1967 the size of the programme has been scaled down considerably (from \$US 20 million to approximately \$US 14 million) with of course a similar decline in employment creation. Y. B. de Wit, "The *Kabupaten* Programme", *Bulletin of Indonesian Economic Studies*, March 1973.

¹⁰⁵ ARTEP, "Evaluation study of the *Tambon* Development Programme in Thailand" (mimeo.), Bangkok, 1978.

¹⁰⁶ Government of India, "Planning and administration of special public works schemes in India", Department of Rural Development, New Delhi, 1976.

¹⁰⁷ S. Guha, "Planning, organisation and administration of the rural employment guarantee scheme in Maharashtra State of India", 2-24 W.P.2 (Geneva, International Labour Organisation, 1975).

318. It is immediately apparent, however, that the separation of the discussion of needs into four distinct parts is difficult to justify except for the narrow purpose of simplifying the exposition. It should therefore be kept in mind that both in respect of description and even more for considerations of policy, the separation is artificial. So far as definitional ambiguities are concerned, there is often little distinction between, for example, a state of malnutrition and a state of ill-health.

319. With regard to policies, there are even more obvious areas of overlap. One of the purposes of this section is to emphasize that there is scarcely any justification for approaching the satisfaction of these separate needs in an entirely separate manner. It is doubtless a matter of administrative convenience that nutrition, health, education and housing are each the purview of different government ministries and the subject of separate programmes. Yet, from the standpoint of the poor in rural areas, raising the standards of health must start not merely with the provision of vaccines, but by creating the conditions that will make it possible for farmers to grow more food and use it wisely, thereby raising their nutritional standards, and to upgrade their dwellings and amenities. Indeed any examination of policies immediately encounters aims and conditions that are common to several areas of need; policies may be judged partly by the attention they pay to recognizing these important links.

320. The accompanying diagram, "The environment of poverty", depicts each aspect of inadequately satisfied need as a segment of a single circle. There is an intentional illustrative value in this symbolic representation. The separated segments demonstrate a vicious circle of deprivation, whereby each unsatisfied need feeds on the others; for example a lack of education maintains the poor in ignorance about how they might seek to raise their own standards of health, nutrition and housing. The segments of need are kept apart by the institutional and other forces that obstruct the kind of enlightened communal co-operation that can help overcome this state of deprivation. A pertinent example is provided by the damaging taboos prevalent in some countries that inhibit women from playing a more open and less house-bound role in the community; as will be suggested, women can play crucial roles as potential agents of beneficial change. In fact, the diagram stresses the key importance of participation. Low participation constitutes the fifth segment of the circle, illustrating how, in addition to institutional factors, unsatisfied needs also detract from more active participation: work capacities are reduced by disease, poor nourishment, low skill and even poor

housing. Reduced participation in turn affects capacities to produce basic goods and earn incomes and feeds back into the circle of deprivation. The involution of the poverty environment is thus complete. The key changes capable of transforming this environment obviously consist in the removal of the obstructive factors at the centre. Thereby this symbolic representation of the environment of poverty is transformed from a "vicious" into a "virtuous" circular arrangement, raising levels of satisfaction of needs conjointly thus becoming a self-generating process. Such a transformation is the key policy perspective in what follows.

321. Finally by way of introduction, it will be noted that there is a persistent, although by no means exclusive, emphasis throughout this section on the condition of the rural poor. This stress is not inappropriate in a survey of the developing countries of the ESCAP region where the heaviest concentration of the poor is in rural areas. That there exist urban poor in virtually all cities in the region cannot be ignored; however, it has also been demonstrated in several major cities in the region that their circumstances can be significantly improved through the kinds of participatory reform which is a major theme of the following sections.

1. Food and nutrition

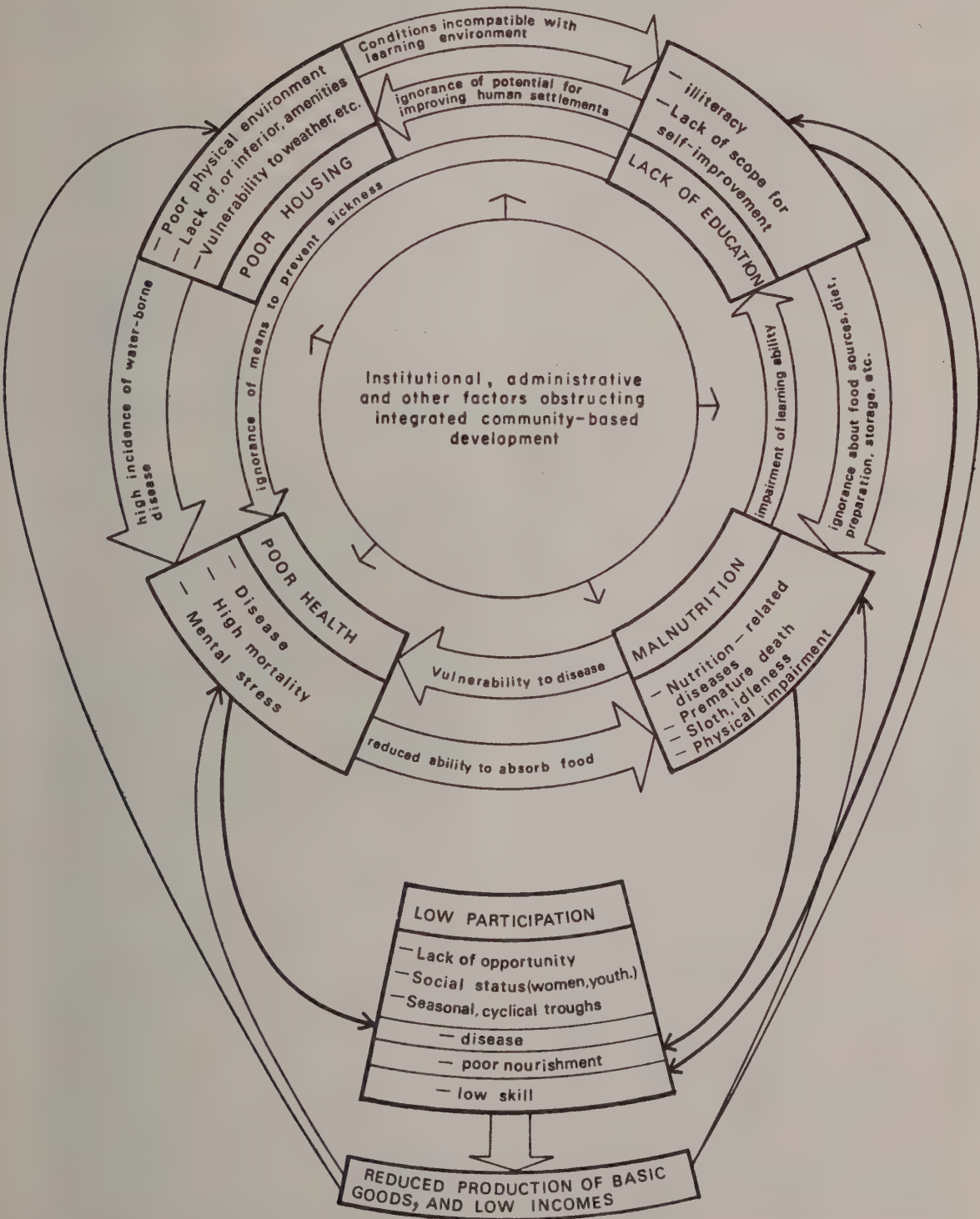
(a) The current situation and its background

322. The need for food is both a human and an economic one: it is a matter of basic human welfare, and it is also related to the collective physical capacity of the individuals who make up a country's labour force. Although there are many symptoms of nutritional inadequacy, the dimensions of need are not easy to determine. The qualitative definition of needs is examined below, and a closer look is taken at quantitative assessments for the developing ESCAP region, which, if not carefully interpreted, can be misleading.

323. Nutritional intake is usually measured in terms of energy (expressed as calories) and proteins (normally in grams).¹⁰⁸ However, necessary levels of energy and proteins alone are not sufficient. Hitherto, analysis of the human need has tended to concentrate rather heavily on objective measurements of calorie and protein energy deficits, but specific mineral and other vitamin deficiencies are also the cause of many nutrition-related diseases

¹⁰⁸ To prevent malnutrition, minimum levels of each must generally be satisfied for every individual. In practice a dietary intake sufficient to cover energy requirements will normally be sufficient to meet protein needs, but the reverse is not true. In a diet adequate to cover protein needs, but insufficient in terms of energy needs, some of the protein will be used mainly as a source of energy and in consequence not fully utilized for its protein functions.

The Environment of Poverty



(i.e. the "symptoms" of need). In the following paragraphs, statistical evidence for the ESCAP region is examined for what it reveals, and fails to reveal, about needs both in human and economic terms.

324. The picture revealed by table 56 is, at least superficially, an optimistic one. Between the periods considered, there are signs of improvement in average nutritional levels in most countries, both in calorie and protein intake terms.¹⁰⁹ The situation in countries such as Burma, Indonesia, Pakistan, Papua New Guinea and the Philippines, which in the mid-1960s fell far short of providing for their food energy needs, is particularly encouraging, although the figures for the traditional food-deficit countries of Afghanistan, Bangladesh and Sri Lanka reveal a deterioration.

325. There are, however, some serious reservations about these data regarding their value as indicators of the actual prevalence of malnutrition. At an aggregated level, the percentage shortfalls of average calorie intakes below requirements are an inaccurate reflection of nutritional deficits: first, they understate the proportions of the population that are malnourished, and secondly they are not uniform in comparisons among countries. It cannot be inferred either that those countries that have exceeded 100 per cent of calorie requirement are necessarily any closer than "deficient" countries to eliminating malnutrition.¹¹⁰ In terms of evaluating needs, even at the country level, such data have very little meaning because of the highly skewed distributions of nutritional resources within each country. Commonly the median level of calorie intake within developing countries of the ESCAP region is below, in some cases significantly below, the mean; sometimes 60 per cent or more of the population do not receive the average level of calorie intake recorded for the country as a whole, implying that in some countries, four fifths or more of the population fall short of the minimum requirements.¹¹¹

326. Of course, the levels of "requirements" as computed by FAO and the World Health Organization are themselves open to question.¹¹² Those at lower income levels are often characterized by low body weights and they may be unemployed or underemployed; for this reason some nutrition experts consider that the calorie requirements of the poorest might be pitched too high. But this is a cruel objective assessment for

"if underemployment is caused by low productivity potential and not only by lack of employment opportunities, people should not be left caught up in that low nutritional equilibrium trap. Furthermore, low income groups

may have higher than average calorie requirements, because they usually do more strenuous physical work and because they have a higher incidence of diseases of a kind which reduces their digestive efficiency."¹¹³

327. To evaluate less ambiguously the dimensions of nutritional needs for any one country, closer examination is needed of nutritional intake by such factors as income level, urban or rural habitat and subnational region. There is a body of accumulating evidence from various countries of the region that confirms that food resources are very inequitably distributed.

328. Particularly in some of the larger developing countries of the ESCAP region, it is to be expected that nutritional status varies considerably by (subnational) region. Data for the major regions of Indonesia reveal wide disparities in the physical levels of consumption of the staple foods (rice, maize and tubers). Whereas in Sumatra, an average of 382 grams of these foods were consumed

¹⁰⁹ The choice of time periods is important in determining apparent progress or retrogression, particularly since year-to-year fluctuations can be so wide, but this problem is to some extent overcome by obtaining averages for groups of several years.

¹¹⁰ "It has been found that approximately 52-76 per cent of pre-school children of age from 6 months to 5 years of the low-income families in the slum areas of Bangkok and in the rural areas are suffering some degree of malnutrition . . . about 30 per cent of school children of rural and Bangkok slum areas show signs of nutritional deficiencies". Amara Bhumiratana, "Feeding of vulnerable groups in Thailand" in Food and Agriculture Organization of the United Nations, Report on the Consultation on Improving Nutrition of the Rural Poor in Asia and the Far East (Bangkok, 1977) (mimeo.).

¹¹¹ World Bank calculations for the Asian region as a whole (which is fundamentally the same as the non-socialist ESCAP region minus Afghanistan, Iran and the Pacific), based on 1965 data and using two different assumptions of calorie-income elasticity, yield an approximate range of 80-90 per cent as the proportion of the population not receiving the required calorie intake. See S. Reutlinger and M. Selowsky, *Malnutrition and Poverty*, World Bank Occasional Staff Paper No. 23 (Baltimore and London, Johns Hopkins University Press, 1976).

As further illustration of the disparities, calculations based on data of distributions of food expenditure in the Manila area show that average daily consumption would have to exceed 3,300 calories *per capita* in order to ensure that 95 per cent of the population were receiving more than a minimum requirement of 2,187 calories. Over the Philippines as a whole, moreover, this average figure would have to be significantly higher. (See Government of the Philippines, *BCS Survey of Households Bulletin*, Series No. 4 (Manila, Bureau of the Census and Statistics, 1973). The calculations adjusted the variance to allow for the fact that poorer families tend to pay lower prices for staple food items.)

¹¹² Joint Food and Agriculture Organization of the United Nations/World Health Organization, *Ad Hoc Expert Committee, Energy and Protein Requirements* (Geneva and Rome, 1973). Requirements are averages for each population. Estimates assume four grades of physical activity of adults and are adjusted to allow for variations in physical size of populations. Allowance is also made, however, for the fact that size is limited by nutritional inadequacy and the needs of pre-adolescent children are computed according to the size of well-nourished children of the same age.

¹¹³ Schlomo Reutlinger, "Malnutrition: a poverty or a food problem?" in *World Development* (Oxford), 1977, vol. 5, No. 8.

Table 56. Selected developing ESCAP countries:
average *per capita* daily calorie and protein supplies

	Calories						Protein supply (g)	
	Supply (g)		Require- ment (g)	Supply as percentage of requirement (percentage)		1961-1963	1972-1974	
	1963-1967	1971-1976		1963-1967	1971-1976			
Afghanistan	2,120.4	1,979.3	2,440	87	81	65.2	61.5	
Bangladesh	2,012.3	1,935.8	2,310	87	84	42.7	43.0	
Bhutan	1,992.0 ^a	2,075.3	2,310	86	90	42.7	44.5	
Burma	1,997.1	2,163.5	2,160	92	100	50.2	56.0	
China	2,628.7	2,804.0 ^b	2,360	111	119	53.3	62.8	
Fiji	2,487.0 ^a	2,647.0 ^c	2,280	109	116	52.0	57.1	
India	1,955.4	1,974.5	2,210	88	89	52.3	48.6	
Indonesia	1,845.9	2,054.2	2,160	85	95	39.1	42.3	
Lao People's Democratic Republic	1,994.5	2,008.0	2,220	90	90	51.0	57.6	
Malaysia (Peninsular)	2,434.9	2,532.8	2,230	109	114	44.1	52.4	
Nepal	2,049.8	2,049.5	2,200	93	93	49.8	49.2	
Pakistan	1,881.7	2,217.0	2,310	81	96	49.1	54.0	
Papua New Guinea	2,002.0 ^a	2,245.0 ^c	2,280	88	98	39.7	48.2	
Philippines	1,938.0	2,127.7	2,260	86	94	43.8	46.6	
Republic of Korea	2,289.0	2,675.3	2,350	97	114	53.2	73.7	
Sri Lanka	2,219.6	2,097.8	2,220	100	94	43.8	41.5	
Thailand	2,208.3	2,293.7	2,220	99	103	42.2	49.9	
Tonga	2,443.0 ^a	2,574.0 ^c	2,280	107	113	37.2	45.4	
Viet Nam	2,141.0	2,396.6 ^b	2,160	99	111	48.1	56.9	

Sources: Asian Development Bank, *Asian Agricultural Survey 1976* (Manila, 1977); Food and Agriculture Organization of the United Nations, *Fourth World Food Survey* (Rome, 1977), and national sources.

Notes: ^a 1961-1963.

^b 1971-1975.

^c 1972-1974.

per head per day (in 1973), in East Java, the amount was no higher than 244 grams, a difference of more than 50 per cent.¹¹⁴ In India, there is also a highly unequal distribution among the states (see table 57), for which average income levels are only a partial explanation, owing to the importance of other factors such as production and availability. The data present an alarming picture, particularly for those states such as Tamil Nadu and Gujarat, within which it is certain that a high proportion of the population receive calorie intakes below even these low average figures.¹¹⁵

329. For the countries as a whole, data for India, Sri Lanka, and Pakistan and Indonesia (tables 58, 59 and 60 respectively) give evidence of disparities in nutritional status as between income levels. In the case of India, the differential is particularly marked among rural dwellers, and although in rural areas there are higher levels of calorie intake corresponding to each income range, yet the proportion of households receiving the lowest calorie levels is rather similar to that of the urban dwellers. In the three other countries, differential intake by income appears less marked, but there is a similar pattern indicating higher calorie consumption in rural areas at each income level. In Pakistan and

Indonesia, the degree of higher calorie (and in the latter case, protein) consumption by the rural dwellers is particularly striking. However, in the Philippines, on the basis of estimates of poverty thresholds—i.e., income sufficient to satisfy basic nutritional needs—the situation seemed markedly worse on average (in 1971) in rural than in urban areas: in rural areas, some 48 per cent of families had expenditures below the costs of a minimum diet, against 24 per cent in urban areas. It is likely that the contrast in country experiences could be at least partly explained by the fact that the Philippine survey did not take into account food consumed directly by rural families.¹¹⁶

¹¹⁴ Sajogyo, *Usaha Perbaikan Gizi Keluarga 1973* (*Improving Family Nutrition*) (Bogor, Research Institute for Rural Sociology, Bogor Agricultural Institute).

¹¹⁵ One study has estimated that in 1969/70, 48.6 per cent of the population of Tamil Nadu lived below a poverty line established as the income necessary to purchase a nutritional adequate diet of 2,400 calories *per capita* per day. The study gave evidence that this proportion was increasing during the 1960s. See C. T. Kurien, "Rural poverty in Tamil Nadu" in International Labour Organisation, *Poverty and Landlessness in Rural Asia* (Geneva, 1977), chapter 6.

¹¹⁶ BCS Survey of Households Bulletin, Series 4 (1973), *op. cit.* Cf. also M. Mangahas and R. Rimondo, "The Philippine food problem" in J. Encarnacion and others, *Philippine Economic Problems in Perspective* (Manila, University of the Philippines, 1976), pp. 99 ff.

Table 57. India: *per capita* income, calorie intake and availability of foodgrains in various states, 1969

State ^a	Per capita income	Daily calorie intake	Availability of foodgrains (gram per capita/day)
Punjab	938	2,832	1,541
Madhya Pradesh	469	2,779	603
Uttar Pradesh	518	2,307	463
Maharashtra	752	2,281	388
Jammu and Kashmir	497	2,265	545
Mysore	495	2,220	582
Rajasthan	497	2,044	479
Andhra Pradesh	521	2,040	521
West Bengal	522	1,927	442
Bihar	403	1,865	369
Kerala	542	1,842	172
Gujarat	696	1,612	277
Tamil Nadu	536	1,498	370
Recommended level		2,400	

Source: J.L. Kaul and others, "An economic analysis of nutrition problem in India" in *Indian Journal of Agricultural Economics* (Bombay), vol. XXXII, No. 3, July–September 1977.

Note: ^a In order of daily calorie intake.

Table 58. India: average calorie and protein availability per consumer unit^a of households by expenditure groups, 1971/72

Expenditure (rupees per head per month)	Urban			Rural		
	Percentage of households	Calories (per consumer unit per day)	Protein (grams per consumer unit per day)	Percentage of households	Calories (per consumer unit per day)	Protein (grams per consumer unit per day)
0–15	0.9	1,228	37	3.9	1,493	46
15–21	3.7	1,582	46	10.5	1,957	60
21–24	3.6	1,821	54	7.1	2,287	69
24–28	6.0	1,970	58	10.2	2,431	73
28–34	10.2	2,130	62	15.2	2,734	82
34–43	14.9	2,343	69	17.7	3,127	93
43–55	15.4	2,622	76	14.4	3,513	105
55–75	16.9	2,872	82	11.5	4,016	121
75–100	11.3	3,190	91	5.2	4,574	139
More than 100	17.0	3,750	110	4.2	6,181	182

Source: Quoted in Food and Agriculture Organization of the United Nations, *Fourth World Food Survey* (Rome, 1977), table II.1.3.

Note: ^a "Consumer unit" corresponds to a "reference person", i.e., an individual standardized for age and sex.

Table 59. Sri Lanka:
calorie availability per consumer unit^a
by income groups, 1969/70

Income in rupees	Location	Number of households (thousand)	Calories (per consumer unit per day)
Less than 200	Colombo: Urban	353	2,450
	Rural	185	2,850
	Other: Urban	471	2,600
	Rural	1,368	2,650
200 — 399	Colombo: Urban	745	2,600
	Rural	264	2,750
	Other: Urban	643	2,650
	Rural	1,076	2,800
400 — 599	Urban	682	2,750
	Rural	416	2,900
600 and more	Urban	841	2,950
	Rural	196	2,950

Source: Food and Agriculture Organization of the United Nations, *Fourth World Food Survey* (Rome, 1977), table II.1.4, p. 34. (Basic data from *Socio-Economic Survey (Preliminary Report) 1969/70* (Colombo, 1971).

Note: ^a See table 58, footnote a.

Table 60. Pakistan and Indonesia: average daily food intake *per capita*
by income class and rural-urban sector, 1969/70

Total income (Rs per household per month)	Pakistan			
	Urban		Rural	
	Percentage of households	Kcals per capita day	Percentage of households	Kcals per capita day
Less than 99	24	1,620	14	1,800
100 — 199	35	1,690	50	1,890
200 — 299	29	1,670	23	2,000
300 — 399	15	1,700	8	2,100
400 — 499	7	1,730	3	2,730
More than 500	10	1,820	2	2,270

Average monthly expenditure (Rp)	Indonesia					
	Urban areas			Rural areas		
	Percentage of total population	Average daily intake		Percentage of total population	Average daily intake	
		Calories (kcal)	Protein (gram)		Calories (kcal)	Protein (gram)
Under 500	3	790	17	10	1,117	29
501 — 750	9	1,060	22	18	1,420	34
751 — 1,000	12	1,232	25	19	1,629	37
1,001 — 1,250	14	1,417	29	14	1,812	41
1,251 — 1,500	12	1,449	31	11	2,027	46
1,501 — 2,000	19	1,728	37	13	2,267	52
2,001 — 2,500	12	1,874	41	7	2,519	59
2,501 — 3,000	8	1,951	45	3	2,804	65
Over 3,000	13	2,408	58	5	3,344	83
All expenditure classes	100	1,633	36	100	1,885	44

Sources: Pakistan: *The Pakistan Development Review*, vol. XII, No. 4.

Indonesia: *National Socio-economic Survey, 1969-1970*.

330. Calculations of calorie and protein deficits are part of the causal evidence of malnutrition. Nutritional deficiencies are more visibly gauged from the symptoms, which are the nutrition-related diseases, infections, abnormalities and deaths.

331. Protein energy malnutrition (PEM) and other specific nutritional diseases are particularly prevalent among vulnerable groups such as infants, pre-school children, and pregnant and nursing mothers. The vulnerability of infants to nutritional disease arises from the danger that the demands of rapid bodily growth go unsatisfied, both in amount and quality of food intake. After the breast-feeding stage, children are not always provided with the correct quantities or types of food and this provokes a high susceptibility to infections. As a result, "the first two years of life show by far the higher number of deaths in which the nutritional state is a direct or associated cause".¹¹⁷

332. Older pre-school children have fast growing needs for food and compete with adults for the amounts available to a family, in which the largest individual shares are reserved for the bread-winner. In times of relative shortage, this age group's requirements—which are up to two thirds of those of adults—may go unsatisfied. The consequences of nutritional insufficiencies for pregnant and nursing mothers are borne particularly by their offspring. Babies of poorly fed mothers are generally smaller in size and, especially where food intake is low during the later stages of pregnancy and first months of life, their mental potentiality may be jeopardized.¹¹⁸ Three of the most widespread nutritional diseases in developing countries of the ESCAP region are goitre (resulting from a low iodine intake), nutritional anaemia (lack of iron) and xerophthalmia (vitamin A deficiency). In many countries of the region, one or more of these diseases is prevalent. The incidence of goitre in parts of Burma, Indonesia and Nepal is particularly high. In India, a recent sample revealed that about 50 per cent of pregnant women throughout the country were affected by anaemia and over the period 1961-1973 in Sri Lanka, the percentage was nearly 45. Xerophthalmia is highly prevalent in young children in certain countries: a recent large sample in six provinces of Bangladesh showed that 35 per cent of children under 6 years of age were suffering from the disease.¹¹⁹

333. The human needs for food have thus far been identified (although not easily quantified) by the evidence of statistics of nutritional supply, its distribution and the prevalence of nutrition-related diseases and abnormalities. From the evidence in the developing countries of the ESCAP region, malnutrition appears to be widespread and, despite

the achievement by most countries of rising production of food per head, increasing. The discussion below on "income distribution and poverty" (section C) gives little cause to doubt that the absolute numbers of those who live below poverty-lines have been rising in several countries, provoking a worsening of the incidence of malnutrition.

334. The fact that over-all material, and specifically food, production in the developing countries of the ESCAP region has been expanding at rates generally faster than population growth (and in some cases significantly faster),¹²⁰ and that the resources are available in almost every country to permit the attainment of food self-sufficiency, places a heavy responsibility on economic planners to resolve what are manifestly serious long-term malnutrition problems. This is not merely a moral responsibility, urged by "objective" assessments of human nutritional needs, but also an economic one, based on economic needs.

335. The economic strategies of most developing countries of the region have been guided by the principles of maximizing the growth of production. The fostering of this process places great emphasis on rising rates of capital accumulation. Implicit in such an approach to development is the assumption that consumption and investment constitute separate and competing demands on given levels of resources. In developing countries the consumption/investment distinction is inappropriate, however, in the context of nutrition strategies directed at the poorest sections of the population, for increased nutritional intake¹²¹ results directly in an increase in productive

¹¹⁷ World Health Organization, Regional Office for South-East Asia, "Development of national nutrition programmes with special reference to vulnerable sectors of the population", Working Paper for the twenty-ninth session of the Regional Committee (New Delhi, July 1976).

¹¹⁸ However this question is the subject of lively debate:

"An extreme and very alarming facet of this political subversion of medical knowledge can be found in the idea that severe undernutrition in early life causes permanent mental retardation due to brain damage. At no time, however, has there been any reasonably convincing and sound scientific evidence to support this idea. . . the ruling classes, both at the national and the international level, can make use of these 'scientific' data to contend that, as the poor and hungry masses are mentally retarded, they will have to be guided by the affluent classes and be dependent upon them."

D. Banerji, "Health as a lever for another development", *Development Dialogue* (Uppsala, Dag Hammarskjöld Foundation), 1978:1, pp. 21-22.

¹¹⁹ Statistics derived from World Health Organization, Regional Office for South-East Asia, "Prevalence of nutritional diseases in countries of South-East Asia", Working Paper for Technical Discussions (New Delhi, August 1976).

¹²⁰ See also, *Economic and Social Survey of Asia and the Pacific, 1976 and 1977* (United Nations publications, Sales Nos. E.77.II.F.1 and E.78.II.F.1).

¹²¹ In an economic context this may be designated "productive consumption", which is also discussed in section C below.

potential. It is the mobilization of this inherent source of "virtuous" accumulation — which can be self-generating if it is the efforts of those in the greatest need that are harnessed in order to produce more food for themselves — that is the rationale of decentralized self-reliant nutrition policies.

(b) Policy perspectives

336. The foregoing analysis suggests that the food problems of the developing countries are not so much a matter of how much food is produced, as of where, and in what circumstances.

337. At the global level, a comfortable food surplus could be readily obtained if some of the developed countries were encouraged, if not to eat less or differently¹²² (which may be a much more intractable problem), to produce more. The potential for increased foodgrain production in the three largest grain surplus countries of the developed world — the United States of America, Canada and Australia — is reflected in wheat and barley yields which are low by international standards. Though increased production costs of more intensive cultivation might well be prohibitive, increased grain output could be obtained from available land without great increases in cost in these three countries if it were not public policy to subsidize farmers to leave land uncultivated.¹²³

338. Quite apart from considerations of the likelihood of major revisions in their farm policies, a surplus in developed countries is not a true surplus for the world. While food aid has brought about some corrective redistribution of real resources,¹²⁴ surpluses in developed countries (and indeed food-surplus countries of the developing world), when they arise, are not systematically channelled to the needy countries. Imports are dependent on purchasing power and foreign exchange constraints are often greatest among food-deficit countries; this is particularly true of developing countries in the ESCAP region. Furthermore, there are longer-term distortionary effects of international trade whereby commercial crops for export encroach on land usable for growing staple foods in deficit countries. There is a danger of this process becoming self-perpetuating in some countries as they become more dependent both on imported food and thus on the foreign exchange earnings of agriculture.¹²⁵ Some food-deficit developing countries (notably Bangladesh, Malaysia and Sri Lanka) are already heavily reliant for foreign exchange earnings from the exports of a few agricultural commodities.¹²⁶

339. The prospects for any fundamental restructuring of the world food economy are dull and

the year-to-year variations in food flows in the form of both aid and trade contribute to an insecure state of food supplies in several of the developing countries in the ESCAP region. The logic of these realities therefore heightens the importance of an international system of food security, based on adequate permanent levels of foodgrain stocks, which the World Food Council is attempting to establish. The time is currently ripe, with world food stocks (outside China and the USSR) standing in 1977/78 at close to the FAO minimum security level (19 per cent of world consumption of wheat, coarse grains, and milled rice), having risen from approximately 12 per cent in 1974/75. Many unresolved problems stand in the way of setting up a permanent system of world stocks — concerning participation, cost sharing, location and release of reserves¹²⁷ — but some progress is being made. It is certainly the world's best hope of ensuring that any serious emergency shortages on the scale of 1973 and 1974 could be quickly met.

340. Such relief measures, however, are no substitute for the assurance of adequate supplies from domestic production. In the individual developing countries of the ESCAP region, there is a vast technical potential for increasing food production and reducing the dependence of food-deficit countries on food imports, but the means are impeded by many cost and other constraints. More extensive crop cultivation¹²⁸ is inhibited by current

¹²² It has been estimated that in the United States alone, the protein fed to domestic dogs and cats could feed about 100 million people in the developing world. D. Pimentel and E. C. Terlume, "Energy use in food production", E. R. Duncan (ed.), *Dimensions of World Food Problems* (Ames, Iowa State University Press, 1977).

¹²³ It has been estimated that in 1970, the land withdrawn from cultivation in these countries could have yielded some 120 million tons of foodgrains at average yields, equivalent to 10 per cent of the total world output of cereals. See Radha Sinha, *Food and Poverty* (London, Croom Helm, 1976), chapter 1. "Between 1968 and 1970, the combined wheat area of the United States, Canada, Australia and Argentina fell from over 50 million to 33 million hectares and production fell from over 80 million to less than 60 million tons. Had these four countries maintained the wheat area they had in 1967 or 1968, they would have produced over 90 million tons more wheat than actually was produced from 1968 through 1972." United States Department of Agriculture, *The World Food Situation and Prospects to 1985* (Washington, D.C., 1974).

¹²⁴ However, about one third of food aid in recent years has been in the form of loans. See Organisation for Economic Co-operation and Development, *Development Co-operation: 1977 Review* (Paris, Development Assistance Committee, 1977).

¹²⁵ See "Assessment of the world food situation: present and future" (E/CONF/65/3).

¹²⁶ See discussion in Asian Development Bank, *Asian Agricultural Survey 1976* (Manila, 1977), chapter 7.

¹²⁷ See "International system of food security", Report by the Executive Director to the third session of the World Food Council (Manila, 1977) (mimeo.).

¹²⁸ It has been estimated that the ratio of cultivated to potentially cultivable land in Asia is about 83 per cent. See The White House, *The World Food Problem: A Report of the President's Science Advisory Committee* (Washington, 1977).

land-ownership patterns, the high costs of bringing marginal areas under the plough, and competition of food with other commercial crops. Methods of intensification include improved and extended water management and control and the wider use of high-yielding seed varieties, fertilizers and technology;¹²⁹ but in all countries the costs of such inputs are extremely high, and in most, technical improvements would automatically increase dependence on other non-food imports.¹³⁰ A strategy of greater food self-reliance by individual developing countries of the ESCAP region necessarily implies the development of technologies and techniques that are derived from, and well adapted to, available domestic resources. It is certain that without new technological advances but with improved practices and techniques, food supplies could be increased substantially in the short term. Better husbandry and the avoidance of some part of the huge losses, both pre- and post-harvest, could increase availability with little or no recourse to the purchase of additional inputs.

341. It is arguable whether the achievement of aggregate production levels for food, even at the individual country level, is a pertinent goal of policy. As was noted above, even in the food-surplus countries of the ESCAP region there is a high incidence of malnutrition and in the general experience of the developing countries of the ESCAP region, there is no close correspondence between over-all availability of food and the degree of undernutrition, except in periods of serious shortage. In some countries, malnutrition has increased although total food supplies have been maintained. If the food needs of the whole population of each country were to be assured through guaranteeing that adequate supplies were available, then both of two further conditions would have to be met: the existence of a highly efficient and responsive system of distribution throughout the country, and the attainment by every household of certain minimum income requirements.

342. Several developing countries of the ESCAP region have, through nutrition intervention programmes, sought to satisfy the first condition, albeit in a small way, through a more thorough investigation of the pockets of serious need and a system of deliveries of nutrition packages. In doing so, they have to a degree avoided the second condition. Some good examples of this approach are the Special Nutrition Programme in India, the delivery projects of the Nutrition Syndicate in Pakistan, and the Thripasha intervention programme in Sri Lanka.

343. Such programmes, however, featuring delivery from the centre, are unlikely to achieve more than a partial alleviation of malnutrition, whereas the

ultimate goal must be its eradication. There is even a danger that the "package delivery" principle conveys a false sense of having contributed to raising nutrition standards while puncturing the sense of urgency in implementing larger-scale permanent nutrition programmes. Even in urban areas, more permanent and comprehensive food delivery systems are required to improve the nutritional status of the poor. As for income requirements, there is evidence that in several developing countries of the ESCAP region the distribution of income is actually worsening and the absolute degree of poverty of the poor increasing.¹³¹

344. Effective demand drastically under-represents the needs of the poor, and over-represents those of the rich who tend to spend more than they need on food. If current trends continue, then in several countries of the region, "the expected increase in the physical availability [of food] would not be matched by a corresponding increase in effective demand because of increasing numbers of urban and rural poor".¹³² The scale of income redistribution that would be required to enable the undernourished to enter the food market and satisfy their nutritional needs cannot be overstressed, and may imply rather fundamental policy changes.

345. The foregoing discussion implies that an obsessive emphasis on increasing domestic food production is misdirected, even though the technical means are at the disposal of virtually every country to provide for all its food needs. The limited compensatory scope of intervention programmes, and the existence of large numbers living below the income levels that could assure them of satisfying their nutritional and other needs, indicate that even if total food availability per head were to increase, the already high incidence of malnutrition in some countries would not diminish.

346. Food policies, in other words, are not adequate or appropriate nutrition policies. In terms of satisfying needs, one of the failures of

¹²⁹ Again, the scope for intensifying agricultural production depends on a restructuring of land-ownership patterns to increase the proportion of land in the hands of small farmers.

¹³⁰ "Two of the main obstacles to successful implementation of the Green Revolution, especially in South Asia, were (a) inadequacy of the research base for developing continuous improvements in seed-fertilizer technology, and (b) its heavy import bias in terms not only of dependence on imports of equipment and fuel for irrigation facilities but also on imports of fertilizers and pesticides, etc.", Nurul Islam, "The hungry, crowded and competitive world", *World Development* (Oxford), vol. 5, No. 8, 1977.

¹³¹ See section C below.

¹³² Nurul Islam, *loc. cit.* The term "effective demand" is strictly a technical economic one, more appropriately expressed as "commercially manifested demand". In an economic system geared to individual human needs rather than individual purchasing power, it would have a quite different meaning. Making the real demands "effective" should be a primary goal of development.

current development strategies is the implicit separation of the growth of resources and their distribution as goals of policy. Malnutrition is certainly one of the harshest consequences of this dichotomy.

347. Needs-oriented policies must not fail to ensure that criteria of production, distribution and access are satisfied concurrently through wider participation in the growing and the sharing of increased food output.

"A 'small farmer'-oriented agricultural development strategy would produce larger output per acre, increase food production for meeting directly the needs of those who live and work on the farm, emphasize the production of those food items including inferior cereals which the poor consume most, bias the pattern of output towards food rather than non-food agricultural output, and avoid the costs and wastes of transport, marketing and storage which are involved in using food produced by surplus farmers for feeding the deficit farmer-consumer."¹³³

The policy implications of such a prescription are far-reaching and in most developing countries of the ESCAP region, call for wider land redistribution, and possibly new forms of community organization. Apart from the implied socio-political mutations, however, such changes would involve considerable costs, in the form of compensation, in improving the flow of basic resources (credit, technical inputs, extension services), in tiding the producers over the possible food shortages during a temporary period of serious disruption and in ensuring that an efficient procurement system more adequately provides for the needs of urban consumers.¹³⁴

348. The developing countries of the ESCAP region have made some progress in these directions during the present decade, but in most cases the practical measures taken have been cautious, or at least partially unfulfilled. It is nevertheless appropriate to conclude with a brief description of the experience of two countries that have successfully fostered self-help schemes in rural areas aimed at raising nutritional standards. These examples, chosen somewhat arbitrarily, cannot necessarily serve as models for wider adoption, but they are illustrative insofar as they have confronted the practical problems of implementation.

349. A Malaysian project, located in Kuala Langat District, Selangor, was begun in 1969. It has always had a strong element of training and education, from extension services for increasing food production by all farmers to nutrition education and surveillance in schools and homes. The

resulting "intellectual" investment has been great, but equally as important has been the change in attitudes of villagers in favour of participation and the concept of self-help. As a result of the project average body weights of young children have risen markedly, and infant mortality rates have dropped from 57 per thousand in 1969 to 25 per thousand in 1973, the latter figure being well below the average for Peninsular Malaysia. Unfortunately, this example may prove rather exceptional, due to the coexistence of a number of particularly favourable factors in Kuala Langat. In late 1974, similar projects were launched in two other districts in Peninsular Malaysia, but the failure of these projects on account of the many difficulties encountered, has served to demonstrate the exceptionally favourable circumstances in Kuala Langat. Central budget constraints in 1975 meant a dearth of resources for villages which were starting from levels of greater relative poverty than Kuala Langat. There were poorer communications and serious annual flood problems in the monsoon season. Training was also initially poor. There was insufficient co-ordination among different administrative levels and low participation by the villagers themselves. After two years, a survey revealed that less than a third of the households in one district had participated in the project.¹³⁵

350. The Malaysian experience seems to illustrate well, both the potentialities and problems of fostering self-help schemes, and the need for careful planning in order that the particular circumstances of each target area be taken fully into account. Two fundamental problems in any country will lie in the major differences in resource endowments and land tenure patterns as between villages. Special compensation arrangements would be required to take account of endowment differences, but it appears from Chinese experience that patterns of ownership of land and other assets are greater sources of inequality within and between communes, than are differential resource endowments.¹³⁶ It is reported that Viet Nam is utilizing a direct form of resource compensation to

¹³³ *Ibid.*

¹³⁴ See discussion in International Labour Organisation, *Employment, Growth and Basic Needs* (New York, Praeger, 1977), chapter 3. It has been suggested that food aid be used to offset possible shortfalls in food surpluses for urban areas. See T. Balogh, "Failures in the strategy against poverty" in *World Development* (Oxford, 1978), vol. 6, No. 1, January 1978, pp. 11-22.

¹³⁵ Raja Ahmad Noordin, "Integrated food and nutrition programme at village level — the Malaysian experience" in Food and Agriculture Organization of the United Nations, Report on the Consultation on Improving Nutrition of the Rural Poor in Asia and the Far East (Bangkok, 1977) (mimeo.).

¹³⁶ A. R. Khan, "The distribution of income in rural China" in International Labour Organisation, *Poverty and Landlessness in Rural Asia*, *op. cit.*

encourage food self-sufficiency through resettlement from the heavily populated deltaic zones to other regions offering good agricultural potential. In 1978, the migration of nearly half a million people was planned.¹³⁷

351. In the Republic of Korea — where the distribution of land is rather more equitable than in most developing countries of the ESCAP region and where the number of tenancies is limited — experience shows that increasing self-sufficiency has been achieved by villages of quite markedly different initial resource endowments and natural conditions.¹³⁸ The Government has also organized a nation-wide Home Improvement Programme, aimed specifically at women, with a twofold purpose: one is to raise nutritional standards through the choice of foods, and advice on preparation and diets; the other is to help mobilize housewives to work on the farm and in factories to supplement household incomes. Important elements in the programme have been the communal activities such as seed preparation, food processing and training; their success has helped to demonstrate the value of programmes aimed at groups, or whole villages, rather than at the well-being of individuals. Other permanent features of these programmes are the increasing importance of the villagers' revolving fund (and the phasing out of contributions from the national budget) and the cumulative nature of the training process whereby village leaders pass on the expertise they have acquired through the programmes.

2. Health

(a) The current situation and its background

352. In most developing countries of the ESCAP region, mortality rates have fallen steadily, but the region continues to be characterized by serious and widespread health problems. Nutritional deficiencies, childhood infections, diarrhoeal diseases, worm infestations, vector-borne diseases, tuberculosis and other respiratory infections, leprosy and blindness are all common. The recent eradication of smallpox and the lowering of fatality rates from certain diseases attest to the effectiveness of some aspects of large-scale public programmes of health-care delivery. Yet it is increasingly recognized that manifestations of ill-health are closely linked to the low quality of living environments and ignorance of the means to promote better health on the part of the most vulnerable sections of the population. Thus, while some diseases such as tuberculosis and leprosy which are more amenable to public control, have been at least contained, others such as cholera, malaria and dengue hemorrhagic fever represent a growing threat in some countries of the region.

353. For comparative purposes, over-all health status may be roughly measured by figures of life-expectancy at birth and infant mortality rates. Taken as a whole, these indicators reveal (table 61) that with the exception of Hong Kong and Singapore, the status of health in the developing ESCAP region is quite significantly below that in the industrialized countries. However, over a period of 15 years there has been measurable improvement. Most countries have recorded marked increases in life expectancy since 1960 and, to judge from the limited data available, there have also been significant falls in infant mortality rates. As in the industrialized countries, it is notable that the first year of life is by far the most vulnerable, for mortality rates as between infants of less than one year and children between one and four years are strikingly different.

354. In most cases these improvements have occurred concomitantly with rising incomes per head, but life expectancy has increased even in countries with static or negative growth rates such as Bangladesh, Bhutan and Nepal; however, in Lao People's Democratic Republic, which recorded positive growth, life expectancy does not appear to have improved over a period of 15 years, perhaps reflecting the consequences of armed conflict during the 1970s.

355. There are even more striking differences in apparent health standards as between countries as measured by these indicators. Among low-income countries, persons born in Sri Lanka have a comparatively high chance of survival beyond the earliest years and a high life expectancy. However, the opposite is true of some middle-income countries.

356. If an explanation for these important differences — which tend to confound any reasonable correlation between health standards and levels of income — is sought in terms of allocation of health resources, then the picture is equally confusing. Ratios of medical staff appear quite favourable in Sri Lanka, but the same is true of Iran and India which have apparently poorer health standards. Also rather unreliable are figures of public health, social security and welfare spending in *per capita* terms (see table 62), as well as data of health "priorities", for which approximate measures are given by public spending as proportions of GNP, and of the national budget. Most countries devote 5 per cent or more of their annual

¹³⁷ World Food Programme, "Situation économique et alimentaire au Viet Nam" (Internal working document, March 1978) (mimeo.).

¹³⁸ Food and Agriculture Organization of the United Nations, "The *Saemaul* movement in Korea" (Bangkok, 1977) (mimeo.).

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Table 61. Selected developing ESCAP countries and areas: health-related indicators, 1960 and 1975

	GNP per head current \$US	Life expectancy at birth		Mortality rates per thousand				Population per:				Percentage of popula- tion with access to safe water	
				Infants aged 0-1		Children aged 1-4		Doctor		Nursing staff			
		1976	Growth 1960-1976	1960	1975	1960	1975	1960	1974	1960	1974		1975
Developing ESCAP countries and areas: ^a													
Bhutan	70	-0.3	36	44	142	122	...	...	37,000	21,185	4,515	6,710	25
Democratic Kampuchea .	...	...	36	44	...	...	...	...	...	...	...	...	...
Lao People's Democratic Republic	...	...	41	45	...	...	...	...	...	15,910	...	...	...
Bangladesh	90	1.8	40	40	...	...	...	...	...	21,570	...	...	...
Burma	110	-0.4	39	42	...	...	...	...	...	9,350	...	75,460	56
Nepal	120	0.7	43	50	149 ^b	56	31	...	9,900	6,910	...	7,040	17
India	120	0.2	36	44	130-208 ^c	123-141 ^b	...	...	72,000	36,450	...	36,770	8
Viet Nam	150	1.3	42	50	139	122	44	...	5,800	4,160	9,610	6,530	31
Afghanistan	...	...	40	45	...	...	...	...	...	...	...	...	...
Pakistan	160	0.0	33	35	...	269	...	24	40,000	26,100	32,030	28,410	9
Sri Lanka	170	3.1	42	51	142	113	...	17	11,000	3,970	...	11,350	25
Indonesia	200	2.0	61	68	57	45	1	...	4,500	6,295	4,150	2,532	19
Thailand	240	3.4	40	48	82 ^d	137 ^{b,e}	...	...	41,000	18,160	...	8,630	11
Philippines	380	4.5	49	58	49	27	10	5	7,800	8,530	4,900	4,330	25
Papua New Guinea . . .	410	2.4	49	58	85	72	10	7	1,600	...	1,590	...	40
Republic of Korea . . .	490	3.5	39	48	...	...	...	...	...	11,340	...	...	20
Malaysia	670	7.3	53	61	58	38	...	...	...	2,010	...	1,500	66
Iran	860	3.9	52	59	69	35	6	4	6,500	4,400	2,600	1,570	34
Hong Kong	1,930	8.2	44	51	...	120	...	...	3,800	2,570	...	1,910	51
Singapore	2,110	6.5	63	70	38	15	2	1	3,100	1,490	3,040	1,550	...
Industrialized countries:	2,700	7.5	63	70	35	14	2	1	2,400	1,400	650	390	...
United Kingdom			70	72	25	15	1	1	860	650	390	230	...
Japan			70	72	23	16	1	1	960	750	420	270	...
Australia			67	73	31	10	3	1	920	870	460	330	...
United States			70	72	20	17	1	1	860	720	...	...	...
Sweden			70	71	26	16	1	1	780	610	340	160	...
			72	73	17	8	1	...	1,100	650	...	150	...

Source: International Bank for Reconstruction and Development, *World Development Report, 1978*.

Source: International Bank for Reconstruction and Development, *World Development Report, 1978*.Notes: ^a Ranked by GNP per capita in 1976.^b Source: World Health Organization, *A Decade of Health Development in Southeast Asia, 1968-1977* (New Delhi, South-East Asia Regional Office,

1978), tables 1.1-1.9.

^c 1965.^d 1961.^e 1961-1971.

**Table 62. Selected developing ESCAP countries:
public expenditure on health, social security
and welfare**

Country	Year	Public expenditure as percentage of		Public expendi- ture in \$US per inhabitant
		GNP	Central budget	
Bangladesh ^a	1966/67	...	4.3	...
	1970/71	...	3.4	...
	1974/75	1.6	4.2	3.2
Burma	1976	1.8	12.2	1.8
India ^b	1965/66	1.2 ^c	6.4	0.7
	1970/71	1.2 ^c	8.3	1.3
	1975/76	1.8 ^c	7.5	2.0
Iran	1970/71	4.9	7.8	9.1
	1975/76	2.7	6.0	42.2
Malaysia ^a	1965	1.6	6.6	5.0
	1970	1.5	6.1	5.5
	1977	1.8	5.2	18.3
Pakistan	1965	0.4	2.5	1.0
	1970	0.6	4.5	0.9
	1975	0.2	1.6	0.4
Philippines	1965	0.6	5.7	1.0
	1970	0.6	5.6	1.0
	1975	0.9	5.7	3.8
Republic of Korea	1965	0.8	5.8	0.8
	1970	1.2	6.1	3.0
	1976	0.9	5.2	6.5
Sri Lanka	1964/65	2.4	7.5	3.4
	1969/70	2.5	7.4	3.9
	1976	2.6	6.5	4.7
Thailand	1965	1.6	10.9	2.0
	1971	1.9	6.2	3.4
	1975	1.3	7.9	5.1

Sources: Bangladesh: *Statistical Yearbook of Bangladesh*, 1975. Burma: International Monetary Fund, *Government Finance Statistics Yearbook*, 1978; and *International Financial Statistics*, June 1978. India: *Report on Currency and Finance*, 1966/67, 1972/73 and 1976/77. Iran: *Government Financial Programmes for 1350*; Imperial Government of Iran, *The Budget 2535 (1976-1977) — A Summary*. Malaysia: *Malaysia Economic Report 1975-1976*; Bank Negara Malaysia, *Quarterly Economic Bulletin*, March/June 1974 and March /June 1978. Pakistan: *Pakistan Economic Survey, 1976-1977*. Philippines: *Philippines Statistical Yearbook*, 1974 and 1977. Republic of Korea: Bank of Korea, *Economic Statistics Yearbook*. Sri Lanka: Central Bank of Ceylon, *Annual Report 1971 and 1976*. Thailand: *Thailand Statistical Yearbook*, 1966 and 1972-1973; International Monetary Fund: *Government Finance Statistics Yearbook*, 1978, vol. II.

Notes: ^a Health expenditure only.

^b Excludes state government expenditures.

^c As percentage of NDP.

budgets to health and welfare programmes, but the proportion is rather smaller in Bangladesh and Pakistan. In several cases, these proportions have shown a tendency to fall over time.

357. Any conclusions based on data of health resources must at best be tentative, particularly when used for comparative purposes. Apart from problems of data collection, there are many inconsistencies as between, for example, expenditures included in a public health budget, and even the definitions of "doctor" and "nursing staff". All that can be said with any degree of certainty is that the quality of public health programmes in developing countries of the ESCAP region, in respect of their effectiveness in promoting higher health standards, is highly variable. Moreover, in the absence of information about administrative structure, nature of medical training and the like, resource indicators are not reliable as measures of quality.

358. In the period since 1945, the most successful aspects of public health services in many developing countries of the ESCAP region have been the campaigns of communicable disease eradication and prevention. In several countries the results achieved by these campaigns have made a major contribution to improving health standards in terms of longer life expectancy and lower mortality rates. However, results have varied quite considerably according to the disease, the country and the degree of success in maintaining steady improvement, as the following review makes clear.

359. Since October 1975, when the last case of *variola major* was reported in Bangladesh, all developing countries of the ESCAP region have been reported completely free of smallpox (see table 63); as of March 1978, all eradication programmes in the region ceased. Anti-smallpox vaccination began as long ago as the end of the eighteenth century and even as recently as 1967 there were more than 80,000 cases reported in India. Thus 1975 marked the (it is hoped definitive) conclusion of a very long but successful campaign.

360. The situation with respect to cholera (and other enteric diseases) is quite different. Unlike smallpox there can be little hope that this scourge will be completely banished from any country as long as poor standards of sanitation and water supply prevail (see table 61). Thus, although very effective methods of treatment have quite recently become available, the disease continues to be a serious cause of sickness and mortality in the ESCAP region. In more than a quarter of India's villages and in some parts of the Philippines, the

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disease is endemic. Epidemics often follow natural disasters and can break out quickly, as occurred in Malaysia and Thailand in early 1978 following a long period of drought. Cholera is ubiquitous and often difficult to detect so that timely intervention, which is an important condition for complete cure, cannot be achieved in all cases; and as yet, the best vaccines available provide immunity for only six months. Table 64 shows that the number of cases in a selection of countries of the region has diminished in recent years, but that there was a resurgence of the disease as recently as 1972/73. Falling fatality rates, however, have resulted from improved treatment methods.

361. The situation with respect to the control of malaria is much more precarious. Large-scale campaigns were begun in the region during the decade after the Second World War and the early results were spectacular. In Sri Lanka, mortality rates from the disease fell from 187 per 100,000 in 1946 to a negligible rate in 1960, and in India the number of cases fell from 75 million in 1953 to about 10 million in the early 1960s,¹³⁹ but these early successes received severe setbacks in subsequent years. Sri Lanka suffered an epidemic outbreak in 1967/68 when the number of cases rose to over half a million; although there were subsequent reductions in the incidence, there were still some 260,000 cases recorded in 1977. In India the number of positive cases rose from 100,000 in 1965 to nearly 6.5 million in 1976; in 1977 there were over 4.4 million and it is thought probable that numbers will grow beyond this figure in the next few years. The islands of Java and Bali were declared practically malaria-free in 1964, but by 1972/73, the incidence had risen to nearly 350,000 and in 1977 nearly 100,000 cases were reported. In Nepal, there were fewer than 3,000 cases in 1971, but in the past few years, the number has risen to over 10,000. In Thailand during the 1960s the annual number of cases was generally kept below 100,000 but more recently over a quarter of a million cases have been reported. In Bangladesh also, the 1970s have seen a serious recrudescence of the disease. In several countries of the region, it comes as no surprise therefore, that malaria incidence now ranks higher than for all other communicable diseases.

362. There have been several reasons for this increasing morbidity. Some of the more important technical ones have been the growing resistance of vectors to insecticides, such as DDT and hexachlorocyclohexane (HCH), and of infections (particularly the *Plasmodium Falciparum* parasite) to anti-malarial drugs. The World Health Organization however, has also emphasized the poor planning and implementation of programmes, and

the movements of people from malarial to non-malarial areas as contributors to the recent deterioration. There is little likelihood of any imminent breakthrough in developing new forms of insecticide control (and apparently the resistance of mosquitoes is growing); it is also improbable that any anti-malarial vaccine will be developed in the next 10 years. These technical considerations, as well as the rather specific characteristics of vectors and their resistance in different regions highlight the difficulties of implementing effective nationwide campaigns, and point firmly to the need for more effective localized operations. Those communities most prone to the disease could contribute in an important way to eradicating the disease if they took certain basic measures to inhibit the habitat of the larvae through better systems of drainage, the elimination of stagnant pools of water and so on; more careful screening of individuals returning from malarial regions could also help in isolating potential epidemics.

363. Tuberculosis is still a major killer disease in the region, although data of its incidence are poor, partly due to low rates of case-detection. It is found in every developing country or area of the region without exception, including Hong Kong and Singapore. Available data (table 63) reveal that there were over 140,000 cases detected in the Philippines in 1974, of which fully one fifth succumbed, and in Thailand over 8,000 are known to have died of it in 1975.¹⁴⁰ Like cholera, typhoid and several others, tuberculosis is a classic disease of poverty the spread of which is provoked by poor conditions of physical environment. Widespread BCG vaccination programmes have been implemented by many countries with good effect but consolidating these gains will depend on greater vigilance and an understanding by those most vulnerable of basic preventative measures.

364. Leprosy is another very serious health problem and the numbers of those suffering from it in the ESCAP region run to several million. The figures in table 63 include approximate estimates of the total numbers of cases in various countries and are calculated on the basis of observed prevalence rates. In Burma, a random survey in 1973 revealed a rate of over 24 per 1,000 which is probably the highest in the region, but some other countries (including Bangladesh, India and Thailand) have prevalence rates in excess of 5 in some parts. The figure may be a serious exaggeration in Burma,

¹³⁹ Gunnar Myrdal, *Asian Drama* (New York, Twentieth Century Fund, 1968), vol. III, chapter 30.

¹⁴⁰ At the end of the 1960s there were estimated to be over 250,000 cases in Thailand annually. John Bryant, *Health and the Developing World* (Ithaca and London, Cornell University Press, 1969).

Table 63. Selected developing ESCAP countries and areas:
incidence of certain infectious diseases, 1975-1977
(recorded cases: absolute numbers and per 100,000 (in parentheses))

		Smallpox	Cholera	Malaria	Tuberculosis (all forms)	Typhoid and para- typhoid	Leprosy	Acute polio- myelitis	Tetanus (deaths)	Dengue hemorrhagic fever
Afghanistan	1975	—		77 ^a (—)	1,114 ^a (6)					
	1976	—								
	1977	—								
Bangladesh	1975	13,798 (18)	4,888 (6)	31,247 (41)			200,000 ^b (254)			
	1976	—	957 (1)	48,844 (62)						
	1977	—	10,403 (13)	27,964 (35)						
Burma	1975	—	2,942 (10)	11,871 (39)						6,750 (22)
	1976	—	1,519 (5)	10,003 (32)						3,153 (10)
	1977	—	2,723 (9)	13,195 (42)			700,000 ^b (2,222)			5,339 (17)
Hong Kong	1975	—		21 (—)	7,991 (182)	581 (13)	78 (2)	—	14 (—)	
	1976	—	1 (—)				76 (2)	—		
	1977	—	—				73 (2)			
India	1975	1,436 (—)	20,714 (3)	5,166,142 (864)						
	1976	—	17,492 (3)	6,467,215 (1,060)						
	1977	—	13,850 (2)	4,437,250 ^a (709)						
Indonesia	1975	—	45,633 (34)	125,166 (92)						4,160 (3)
	1976	—	41,264 (30)	96,999 (69)			101,000 (72)			2,620 (2)
	1977	—	17,112 (12)	98,117 (68)						7,388 (5)
Iran	1975	—				19,607 (59)	578 (2)		113 (—)	
	1976	—	—							
	1977	—	53 (—)							
Lao People's Democratic Republic	1975	—		5,203 (158)	1,806 (55)	35 (1)	31,586 (957)	9 (—)		
	1976	—					49 (1)	1 (—)		
	1977	—								
Malaysia	1975	—	48 (—)	55,711 ^d (468)	3,168 ^d (27)	687 (6)		1 ^d (—)	13 ^d (—)	
	1976	—	289 (2)				256 (2)	32 (—)		
	1977	—	441 (4)							

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Table 63 (continued)

		Smallpox	Cholera	Malaria	Tuberculosis (all forms)	Typhoid and para- typhoid	Leprosy	Acute polio- myelitis	Tetanus (deaths)	Dengue hemorrhagic fever
Nepal	1975	95 (—)	260 (2)	12,372 (98)						
	1976	—	185 (1)	10,123 (79)						
	1977	—	428 (3)	11,615 (88)			80,000 ^b (609)			
Pakistan	1975	—	—			14,025 ^a (20)	1,691 ^c (2)			
	1976	—	—				330 (—)			
	1977	—	12 (—)							
Philippines	1975	—	680 (2)	27,420 ^a (64)	142,250 ^a (334)	3,767 ^a (9)		916 ^a (2)	3,794 ^a (9)	
	1976	—	1,286 (3)				432 (1)			
	1977	—	379 ^a (1)	87,000 (193)			—			
Singapore	1975	—	10 (—)	443 (20)	3,020 (134)	513 (23)	96 (4)	—	8 (—)	
	1976	—	—				106 (5)	1 (—)		
	1977	—	11 (—)				90 (4)			
Sri Lanka	1975	—	1,453 (11)	400,777 (2,966)	12,186 ^a (90)	8,014 ^a (59)		821 ^a (6)	576 ^a (4)	
	1976	—	728 (5)	304,487 (2,218)			14,000 ^b (102)	258 (2)		
	1977	—	5 (—)	262,460 (1,879)						
Thailand	1975	—	1,335 (3)	267,534 (639)		3,849 (9)		440 (1)	1,327 (3)	17,771 (42)
	1976	—	6 (—)	285,342 (664)			140,000 (326)	800 (2)		9,561 (22)
	1977	—	383 (1)	288,475 (653)						38,776 (88)

Sources: World Health Organization, *World Health Statistics Quarterly*, vol. 31, No. 2, 1978 (Geneva, 1978); *World Health Statistics Report*, vol. 30, Nos. 1, 2, 4, 1977 (Geneva, 1977); *World Health Statistics Annual*, vol. II, 1977 (Geneva, 1977); *Annual Report of the Regional Director, WHO Regional Office for South-East Asia, 1977/78* (New Delhi, 1978); *A Decade of Health Development in South-East Asia, 1968-1977* (New Delhi, 1978).

Notes: ^a 1974.

^b Estimate including unregistered.

^c Provisional.

^d Sabah only.

Table 64. Number of cases
and deaths from cholera combined
for nine ESCAP countries,^a 1968-1977

		Number of cases	Number of deaths	Fatality rate (per cent)
1968 ^b		23,158	4,543	19.62
1969 ^b		21,325	4,060	19.04
1970		34,537	7,656	22.17
1971		37,439	7,360	19.66
1972		65,873	10,038	15.24
1973		96,160	8,718	9.07
1974		86,413	7,085	8.20
1975		79,932	6,743	8.44
1976		60,722	3,669	6.04
1977		44,904	2,092	4.66

Source: World Health Organization, *A Decade of Health Development in South-East Asia 1968-1977* (New Delhi, South-East Asia Regional Office, 1978).

Notes: ^a Bangladesh, Burma, India, Indonesia, Maldives, Mongolia, Nepal, Sri Lanka, Thailand.

^b Excluding Bangladesh.

however, since a high proportion of cases are thought to be inactive; of the "open" cases of leprosy about 90 per cent are under treatment and a total of 240,000 patients are receiving care. Another country which has made progress in treating the disease is Thailand. The total number of cases may be as high as 140,000, but in 1975, 43,606 were receiving treatment. Further control over the disease in the region depends on better recognition of its early symptoms to locate more cases and administer timely treatment.

365. Of the other serious communicable diseases, many developing countries of the ESCAP region have recorded the prevalence of typhoid and paratyphoid, acute poliomyelitis and tetanus, while dengue hemorrhagic fever is endemic in Burma, Indonesia and Thailand and plague is still present in Burma.

(b) Policy perspectives

366. The previous section described some of the results of immunization campaigns within the region, and also indicated that such campaigns have their limitations. Apart from the problem of ensuring delivery to all vulnerable people¹⁴¹ campaigns do not always have continuing effectiveness and they cannot be expected to do so as long as fundamental causes of ill-health remain. If some of the more widespread infectious diseases that used to be prevalent in the now-developed countries have been almost completely eradicated there, it has been due as much to an improvement in general socio-economic conditions as to modern medical techniques.¹⁴²

367. The stage has currently been reached in developing countries of the ESCAP region whereby although certain techniques of prevention and eradication have reaped impressive rewards, further improvements in health standards, or the avoidance of their serious deterioration, depends to a considerable degree on raising general environmental standards of living. Unfortunately, however, while developing countries of the ESCAP region have been able to absorb some of the best characteristics of western medical knowledge (e.g. in the form of immunological techniques), they have also adopted some of the worst features of western medical services, which are unsuitably designed to bring about further fundamental health improvements.

368. For alongside nationwide campaigns of immunization, organized from the centre, paternalistic systems of health delivery have grown up on the western model. Even if such delivery systems were bolstered by large increases in medical staff, infrastructure and communications, a solution to the health problems of the developing countries of the ESCAP region would not follow. The most comprehensive preventative campaign can only yield limited results and the best curative techniques cannot have a lasting impact, as long as the vulnerable majority of the population of developing countries of the ESCAP region remains substantially ignorant of the means by which they themselves can promote better health conditions through improving their living environments. The professionalized nature of the health services in most developing countries of the ESCAP region is unlikely to provide either the means or the enlightenment for the promotion of self help. On the contrary, a western approach in the training of medical staff both abroad¹⁴³ and through domestic training institutions, and an elitist bias in the social origins of medical staff, are factors likely to maintain a wide communications gulf between the professional personnel of public health services and those they claim to serve.

¹⁴¹ In rural Bangladesh, for example, an estimated half of the neo-natal deaths are due to tetanus, despite the availability of an effective anti-tetanus vaccine. See John Briscoe, "Politics of an international health programme" in *Economic and Political Weekly* (Bombay), 18 March 1978.

¹⁴² For example, in the United States, death rates from tuberculosis fell from 200 per 100,000 in 1900 to about 70 in the 1930s, i.e. before sanatoria and collapse therapy had become widely available, and by the time chemotherapy was current in the 1950s, the rate was below 30. See International Bank for Reconstruction and Development, *The Assault on World Poverty* (Baltimore, Johns Hopkins University Press, 1975), chapter 2 in section on "Health".

¹⁴³ Figures for the 1960s showed that 18 per cent of graduating medical students in India (1961-1964) went abroad (with a permanent annual emigration of 7 per cent) in the Philippines (1962-1967), 20 per cent of graduates were leaving with a permanent loss of 13 per cent, and in Thailand (1968) 67 per cent of graduates emigrated each year of which only a very small proportion stayed abroad. See the Committee on the International Migration of Talent, *The International Migration of High-level Manpower* (New York, Praeger, 1970), quoted in International Bank for Reconstruction and Development, *The Assault on World Poverty*, op. cit.

369. In western, as well as in many developing countries, a doctor is often treated as someone special, pampered by assistants, emitting incontrovertible statements, and with a preference in professional life for confronting queues of waiting patients with a closed door. The dangerous impression is given that improvements in health standards can only be engineered by the purveyors of a remote body of scientific knowledge and this inculcates a feeling of helplessness in the layman.

370. In fact, it is claimed that the nature of higher health education in developing countries also creates a gap between different levels in the administrative hierarchy of public health services: "Professionals are in the main unwilling to work in the rural areas¹⁴⁴ where health services are most needed while they resist the delegation to nonprofessional health workers of responsibility for primary health care..." opposing new types of health personnel "... on the ground that providing medical care is too important, too complex, and too dangerous to be left in the hands of less trained or differently trained personnel."¹⁴⁵

371. What is seriously lacking in health care, whether it be in the western countries where it is almost universal or in the developing countries where it has become familiar through direct or indirect western influence, is recognition of the relationship between the individual and his human and physical environment. In health, there is a perception of "the disease-episode of the individual and not the state of health of the community" which brings the same individuals back to the doctor's queue again and again. Even immunization campaigns are directed mainly at the individual, with little attention to promoting conditions conducive to better health on a community-wide basis. Indeed, the whole concept of "health" is construed in an entirely negative sense, as an absence of illness in the individual, rather than the promotion of well-being on a broad basis.¹⁴⁶

372. Above all, programmes in developing countries are overlaid with professional medical services which condition individuals to react to medical symptoms as incipient problems of an underterminable exogenous origin and requiring treatment, rather than as sure indicators of congenitally unhealthy environmental factors, over which they themselves are capable of exerting considerable control.

373. The remoteness — professional and physical — of public health services is manifested in various ways: through a reluctance, particularly in remoter areas, of people to avail themselves of medical

facilities when accessible, and through a continuing preference in many instances for the advice of injectionists, quack doctors and herbalists, many of whom use traditional indigenous medicines. The prevalence of these private alternatives to public health care are evidence of the willingness even of poor people to pay for medicine. Public health care delivery, therefore, is characterized by a wastefulness of resources not only in terms of "over-professionalization" (implying extravagant public spending on medical training, drugs,¹⁴⁷ and on modern facilities of benefit to a minority), but also in terms of under-utilization of services in the presence of a huge potential demand. The heart of the problem is one of inappropriate, but not scarce resources, for the accessible means exist within communities to bring about marked improvements in standards of health. The role of the public sector could be more usefully directed towards forging a link between these locally available resources (including indigenous medicines) and basic health needs.

374. There is already official recognition of this role for in the public health services of some developing countries of the ESCAP region there is a shift in favour of providing what is described as "primary health care".¹⁴⁸

¹⁴⁴ Only figures that are slightly outdated are available, but in Pakistan in 1970 the population per medical doctor ratio was 3,700 in urban, and 24,200 in rural areas; in the Philippines (1971) the ratios were 1,500 and 10,000 respectively, and in Iran (1967-1970) 2,275 and 10,000 respectively. See International Bank for Reconstruction and Development, *The Assault on World Poverty*, op. cit., annex 8. In Thailand in 1969, the ratio was 940 in Bangkok and an estimated 200,000 in the rural areas (John Bryant, op. cit., p. 75) and in the Republic of Korea in 1975, 82.8 per cent of doctors practised in urban areas (Economic Planning Board data).

¹⁴⁵ World Health Organization/United Nations Children's Fund, *Alternative Approaches to Meeting Basic Health Needs in Developing Countries* (Geneva, World Health Organization, 1975), p. 17.

¹⁴⁶ See discussion in Göran Sterky, "Towards another development in health", *Development Dialogue*, 1978:1 (Uppsala, Dag Hammarskjöld Foundation, 1978).

¹⁴⁷ Drug expenditure in 1976 as a percentage of total public health budgets was only 6 per cent in Indonesia and 7 per cent in Sri Lanka, but 19 per cent in India (1974), 25 per cent in Burma, 30 per cent in Thailand, 44 per cent in Nepal, and 64 per cent in Bangladesh. See World Health Organization, "Drug policies and management" (Report of a seminar; Colombo, March 1978).

¹⁴⁸ The concept has been endorsed by the WHO/UNICEF Regional Meeting on Primary Health Care, New Delhi, India in 1977, and the WHO/UNICEF International Conference on Primary Health Care, Alma Ata, USSR in 1978.

Information on individual countries is derived from Rafiq Miazid, "Friends of health" (Afghanistan), *World Health* (Geneva, World Health Organization, May 1978); World Health Organization, *A Decade of Health Development in South-East Asia, 1968-1977* (New Delhi, Regional Office for South-East Asia, 1978); Kenneth W. Newell, *Health by the People* (Geneva, World Health Organization, 1975), chapter 1; Korean Development Institute (private communication).

375. In Afghanistan, a training programme for village health workers (*roghtia mai*) and village midwives (*dai*) began in April 1977, and by the beginning of 1978, about 110 men and women had been trained and were working in isolated villages in four provinces. Over the next five years it is planned to train a total of 1,500 village health workers and 3,440 *dais* to bring primary health care to all of the population living in villages.

376. In 1977, there were 6,000 village health workers functioning in Bangladesh out of a total estimated requirement of 168,000 (on the assumption that a team of two, male and female, serve the needs of 1,000 people); in addition, the Government plans to train 1,000 village midwives.

377. The Burmese Department of Health plans to train 5,240 community health workers between 1977 and 1982, each to serve 100 families, 500 people or a whole village, and a total of 3,200 auxiliary midwives. It is hoped that this staff will cover 55 per cent of the population in 7,685 village "tracts" by the early 1980s.

378. In China primary health care methods are somewhat older. As a part of the Cultural Revolution of the late 1960s, urban medical workers were instructed to train large numbers of villagers who would be responsible within their own communities for environmental sanitation, health education, preventative medicine, first aid and primary medical care. These villagers have come to be known as "barefoot doctors", to signify that besides their medical duties, they continue to perform their tasks as farmers. "Barefoot doctors" whose training lasts about three months, are said now to number over 1 million, i.e. somewhat more than one per 1,000 rural people.

379. A scheme for primary health care was initiated in India in 1977 under which one community health worker per 1,000 people or per village, and one midwife per village will be trained.

380. Primary health care service in the Republic of Korea is also very new and is to be delivered through a network of community health centres, primary health units and village health agents. There are to be community health practitioners attached to the primary health units and other field health works are to be integrated into the network under the professional supervision of community physicians and practitioners. Comprehensive services to be provided through the new health care system are immunization, diagnosis and treatment of common health problems, nutritional counselling and surveillance, school

health, family planning, tuberculosis control and improvement of the environmental health and water supplies.

381. Finally in Thailand, a provincial health care project was formulated in 1976 whereby 27,400 village health volunteers, 200,000 village health "communicators," 2,800 *tambon* (district) doctors and 8,400 "granny midwives" are to be trained between 1977 and 1981.

382. These programmes represent a first step towards a more comprehensive community involvement, of which three examples are described in the next section. In those examples, however, community self-help was organized with little or no reference to public health-care delivery systems, a fact which is illustrative of the major reforms that would have to precede the more widespread adoption of the community-oriented approach.

383. The two main administrative obstacles are deep-rooted and consist in the first place of the existence "in some countries [of] a political system that does not encourage local self government — a prerequisite to local involvement in health and development in general;" and in the second place of the "rigid sectoral structure and centralised organization of most conventional government health services".¹⁴⁹ The second obstacle could prove to be the more serious insofar as successful community "health" schemes have proved to be broadly based and dependent upon improvements in public works, food production, and nutritional education, in addition to the purveyance of expertise in the field of health.

(c) Community health care

(i) India: Jamkhed¹⁵⁰

384. The community health project in Jamkhed in Maharashtra state was begun in 1970 with an intended coverage of about 40,000 people in 30 villages. Before the project began, the health personnel comprised two private doctors and eight other practitioners without formal medical training; all were male, practised curative medicine and charged fees for their services. The nearest hospital was 75 kilometres from Jamkhed. The

¹⁴⁹ World Health Organization/United Nations Children's Fund, *Alternative Approaches to Meeting Basic Health Needs in Developing Countries*, op. cit.

¹⁵⁰ Information is taken from Mabelle Arole and Rajanikant Arole, "A comprehensive rural health project in Jamkhed (India)", Kenneth W. Newell, op. cit.; and Harsh Sethi, "Alternative development strategies: a look at some micro-experiments" in *Economic and Political Weekly* (Bombay), vol. XIII, Nos. 31, 32 and 33 (Special number), August, 1978, pp. 1,307-1,916.

III. Social development performance

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status of health in the area in 1970 was not untypical for the country. The infant mortality rate was in the range 80-150 per 1,000 and malnutrition, episodes of diarrhoea and fever among children were common. However, most children had received smallpox vaccinations.

385. When the project was begun by a small team from outside the area, great care was taken to persuade government officials and local community leaders of the importance of such a programme and where possible the services of the existing practitioners were integrated into the work. An important feature of the whole programme has been the recruitment and training of part-time health workers in each village, selected from among middle-aged women "interested in being of service to the community." The main responsibilities of the village health workers have been in family planning, and maternal and child care. It was found that village health workers could more easily promote health and "bring about change much faster than a professional." Thus, education is another vital function of the village health worker and she teaches feeding practices and contraceptive methods in addition to making simple diagnoses.

386. The village health worker is backed up by a mobile health team which visits each village once a week and consists of a doctor, a nurse supervisor, social worker, auxiliary nurse midwife, paramedic and a driver. Their main function is to provide training to the health workers, identify health problems and give simple treatment. When a serious case is confirmed, the patient is referred to the health centre in Jamkhed.

387. From the outset it was recognized that food and water supplies would have to be improved in order to raise general health standards and early on, a comprehensive nutrition programme was devised: community kitchens were established and extra food obtained from outside; farmers donated land permanently to extend food production; tubewells with hand-pumps were built to provide irrigation as well as clean water sources.

388. The results of the project have been very positive, not merely because of the noticeably lower incidence of disease and malnutrition, but because of the many signs that good health is being actively promoted. Food production is increasing (350 acres of land have been made available by farmers for nutrition programmes), people are feeding better and drinking uncontaminated water. They are coming forward more willingly for vaccinations, birth control and sterilization and responding constructively to signs of ill-health rather than taking a fatalistic view.

389. Initially, the project relied on donations from abroad for capital equipment, food and cash, while the communities contributed land and some building materials. By 1974, foreign donations accounted for only 30 per cent of recurrent expenses, while 66 per cent were covered by patients' fees and 4 per cent by government grants. It is anticipated that government grants will be extended and more support forthcoming from the communities as they become more deeply involved in the project.

(ii) Bangladesh: Savar¹⁵¹

390. When the people's health centre (*gonoshasthaya kendra*) came to the *thana* (district) of Savar in 1972, the project area comprising about 100,000 people was served by a very small medical team employed by the Government on the pattern of the colonial system. In addition, each village was served by a number of well-to-do "quack doctors" making heavy use of drugs in practising essentially curative medicine, but with no formal training.

391. In the first year, the programme relied on a large team of volunteers, from among the student population, to carry out vaccinations and health education. Soon it was realized that full-time paid staff were required, of a non-specialist nature, who were capable of bringing a range of development services to villages. Thus the concept of the paramedic was born. Villagers (mainly women) were recruited and trained (there are currently 44) in a wide range of activities, including nutrition programmes, hygiene, immunization, family planning, ante- and post-natal care, pharmacology and basic diagnosis, as well as in minor surgery, such as female sterilization.

392. Administratively, the programme relies on a network of sub-centres each serving 10 to 15 villages with a population of 15,000 to 20,000. On average a paramedical worker serves about 3,000 people. In addition there is one traditional village midwife and one female village worker for every 1,000 people, providing such services as deliveries, basic child care, family planning, tubewell maintenance, taking children to school, livestock immunization, vocational training of women, food and seed processing and storage, preservation of surplus fruits and vegetables, and the planting of fast growing trees for firewood and compost. In each sub-centre there is also one over-all programme supervisor.

¹⁵¹ Information is taken from Zafrullah Chowdhury, "The paramedics of Savar: an experiment in community health in Bangladesh", *Development Dialogue* (Uppsala), 1978:1, pp. 41-49; also interview with Dr. Chowdhury published in *Le Monde* (Paris) on 8 September 1978.

393. Some important features of the project have been the efficacy of broad-based education in practical activities, and the promotion of the role of women. Often these have been combined, for it is mainly women (as paramedics, midwives and village workers) that have been the agents for bringing about beneficial changes in the communities. The female staff in the project, who are elected by their villages, have also gained a greater measure of self-respect and emancipation from their traditional housebound roles. A school has been started in in the project area for poor children between the ages of 4 and 10 and included in the curriculum are health and hygiene, physical education, carpentry, machine shopwork, agriculture and crafts.

394. There is much evidence of the success of the project. Results of a recent sample survey of 18 villages reveal a mortality rate of 12 per 1,000 (against 17 per 1,000 for the country as a whole) and a lower birth rate, yielding a natural increase in the population slower than the national average. The incidence of skin diseases and diarrhoea has also been reduced and there have been no maternity deaths since the inception of the project.

395. In the early stages of the project, numerous meetings were held with villagers and students in the area to win the approval and support of potential participants. However, the project has caused social friction as well, particularly among the "quack doctors", money lenders and landowners whose interests are clearly threatened by its success. In 1976, one of the paramedics was murdered, probably with the connivance of the "quack doctors" whose livelihoods were most directly in jeopardy as a result of the victim's activities; the case was not pursued, however.¹⁵²

396. The project has also been instrumental in overturning some entrenched social customs. For example to increase mobility and improve the efficiency of delivering services, the project encouraged young women to take to bicycles. Despite the obviously beneficial consequences for the whole community and for women's emancipation, this measure was described as a "revolutionary step" and was ill-regarded by religious elders.

397. The buildings required by the project have been constructed by local craftsmen using locally-available materials. As far as recurrent expenditures are concerned about 40 per cent are covered by the contributions of participants some of whom have had to default on payments. It was soon realized that the poorest people, whom the project was designed specifically to serve, would never be able to make any financial contributions to the project; originally it was estimated that they

accounted for about 10 per cent of those in the catchment area, but in practice the proportion is closer to 20 per cent.

(iii) Indonesia: Solo¹⁵³

398. The health development schemes which have taken roots in the villages around Solo (Surakarta), an important city in Central Java, are an interesting example of new community health care that arose directly out of a doctor's awareness of the inadequacy of an urban-based health clinic in providing for local needs.

399. The first stage in developing an appropriate programme was the reorganization of the maternity clinic in Solo, beginning in 1963. Its scope was extended so that it could also act as a children's hospital and a family planning centre and the equipment was simplified to avert the need for sophisticated and expensive facilities. In about two years the reorganization—which made rather different demands on staff and led to various personnel changes—was complete. But it was then realized, from observation of those availing themselves of the outpatient clinic and those living in the neighbourhood that the centre was not reaching the poorest in the community.

400. It was decided that health had to be taken directly to those in need and the first village selected for attention was Begajah, located about 20 kilometres from Solo and with a population of 3,500. It was quickly established that an even more basic requirement than health care as such was food; each family could produce barely sufficient quantities for itself and many children in the village were on the borderline of malnutrition. So, a "village development committee" was set up and its first task was to increase food production. On a special plot, new rice strains, fertilizers and husbandry practices were demonstrated and the irrigation system was improved through an externally-financed Food For Work programme.

401. By early 1970, rice production had nearly doubled and there were no cases of malnourished children. It was mainly food production combined with health and nutrition education courses given to women and girls in the village, that brought the infant mortality rate down from about 100 to 69

¹⁵² "The killers were never brought to justice—although their identity was soon known.... they appear to have included several of the quack doctors..." Iain Guest, "The Death of Nizam Uddin", note on Z. Chowdhury, *op. cit.*, pp. 49-50.

¹⁵³ Information is taken from Gunawan Nugroho, "A community development approach to raising health standards in Central Java, Indonesia", Kenneth W. Newell, *op. cit.*

per 1,000. Next the project turned its attention to housing needs and through communal efforts bamboo walls were gradually replaced by brick, windows were installed and gardens tended. A "model house" had existed in the village for several years, but its purpose or use had never been appreciated. Only once the members of the community had seen the fruitful results of its efforts elsewhere was a housing improvement programme implemented through their own efforts. It was a good demonstration of the catalytic effects of community involvement in several fields. As far as resources were concerned, the Begajah project was funded mainly by the Solo clinic.

402. When the project in Begajah was under way, the project personnel, calling themselves a "community development" team, took on the even more challenging task of improving standards in the very poor village of Boyolayar in the district of Sumberlawang, 43 kilometres from Solo and 13 kilometres from the nearest road. In 1970 the population of the village was about 1,600; on average, households could grow food for less than half their own requirements, supplementing their diet with maize bought in a market 20 kilometres away with the income from tea leaves; water supply was inadequate and largely dependent on rainfall; the nearest health facility was 13 kilometres away, the infant mortality rate was 153 per 1,000 births and there were some serious cases of malnutrition among children.

403. Again the starting point for the development was not only the provision of health facilities. A goat-raising co-operative was organized to supplement family incomes and a school was built with material funded by a foreign donation, and with labour and land contributed by the village. Health activities concentrated on the vulnerable groups — pregnant and lactating women and infants — and within two years there had been a spectacular fall in the infant mortality rate, to 43 per 1,000 births.

404. Subsequently, many other activities were developed in the village: fish-ponds were dug in the rainy season, and roads were built with the help of the Food For Work programme. Community development activities soon spread and after two years, 50 villages were involved, with health care one of several fields of self help.

(iv) Summary of conclusions

405. These three examples of community health development, which are only a selection from within the ESCAP region, bring to the fore a number of issues pertinent to the scope for furthering community self-help schemes in the field of health.

406. The foremost question concerns aims and achievements. In terms of what they set out to do, were the programmes described above successful? Manifestly they were; indeed progress was made in several unanticipated ways as well. Furthermore, these projects were a good deal more successful than whatever pre-existing State-sponsored health facilities there were, which had not only failed to achieve their narrower declared aims, but which were almost entirely superseded.

407. Undeniably there were "costs" associated with these successes, which are not always adequately documented in retrospective assessments. Chiefly these "costs" have been in the form of social disruption resulting in a crumbling of hierarchical village structures; inevitably co-operative ventures which imply a certain levelling process throw up losers (chiefly the class of landowners, money lenders and the professional caste of doctors, lawyers, etc.) but the much greater and more efficient fluidity in social relations and debunking of taboos, such as those restricting the practical roles of women, have ensured considerable benefits for the large majority. In some cases, socio-political structures, threatened by community development programmes have held fast, but such resistance only underlines further the importance of overcoming the fear and conservatism of those who stand to gain most from community programmes, and of winning over the members of the entrenched elite to the wider social benefits. Each of the above projects was preceded by a protracted dialogue with village people and their leaders, but they met with varying success in placating the members of the paternalistic elite. In the Bangladesh example, there remains determined opposition even after several years.

408. Another issue raised by these projects concerns their capacity to be self-sustaining. There are two aspects to this. In terms of labour mobilization, they each demonstrated that once a community begins to benefit from the fruits of its communal labour, a catalytic effect is set in motion: participation rises inexorably within each community, and can spread to others. Moreover certain irreversible changes are wrought. For example, the status of women is raised permanently by the enhancement of their role as key agents for change in health and nutrition. The second aspect concerns resources and here it is by no means clear that development projects such as those described can move steadily, if ever, towards self-sufficiency. If ambitiously conceived projects are not to fail, there is likely to be a residual requirement for government support and/or external assistance. This being so the cost-effectiveness of projects of demonstrable merit deserves proper assessment against alternative and competing demands on the resources available.

409. The diversified nature of what began as "health programmes" but which soon became directed to food production, nutritional education, habitat and water supplies as well, reveals the importance to the prime-movers of the discovery that community projects must take account of the whole environment of poverty before problems of any specific nature can effectively be tackled. Two further important considerations are raised by this discovery. One is the obvious danger of the whole professionalized approach to development, as embodied by the separate "nutrition", "health", "education", "housing" programmes of individual governments, and the traditional fields of expertise of the specialist international agencies. The other concerns the possibilities of replicating the experiences of the successful programmes described: there cannot be any single scheme for an approach to community-based development whatever initial focus it claims.

410. To sum up, therefore, while the community health schemes of the kind described have pointed out the current inadequacies of public health care delivery programmes, they also illustrate the ways in which public policies could be used to further the community approach. These ways may be enumerated as:

(a) Providing selective intervention in terms of (i) financial resources (e.g., to support revolving community funds); (ii) resources in kind (e.g., vaccines, basic medical facilities, building materials, water pumps, etc.);

(b) Providing expert personnel in medical and other fields, partly in a training role;

(c) Improving infrastructure to permit better access to hospitals and local medical centres;

(d) Developing responsibilities for programme management to communities (or local administrative units) with, however, a residual responsibility left to the centre for programme design and over-all guidance.

3. Education

(a) The current situation and its background¹⁵⁴

411. Discussion of educational development in the region must begin from an examination of population growth because on this depends the quantitative dimension of the educational services required. Many countries in the ESCAP region have adopted policies for population planning and in a small number of countries crude birth-rates are already declining. In the majority of the developing countries, however, the pressure of rising population is likely to continue in the decade of the 1980s.

412. Of equal importance to educational development is the structure of the population, particularly the primary school age group for which basic educational services has to be provided. In 21 developing countries of the region, the population in age-group 6-11 years increased by 26 million or 9.3 per cent between 1970 and 1975. Between 1975 and 1980 it is expected to increase by 10.2 per cent. In fact, schooling facilities would have to increase by about 50 per cent in about 15 years from the beginning of the decade just to maintain enrolment ratios at the existing level.

413. The rapid quantitative expansion of education, in terms of enrolments, that was characteristic of the 1950s and early 1960s slackened at all levels in the developing countries of the ESCAP region in the current decade, from an average annual growth rate of 7.5 per cent in 1960-1965 to 3.4 per cent in 1970-1975 (see table 65).

Table 65. Developing ESCAP region:
average annual rate of growth in enrolment
by level, 1960-1976
(percentages)

Period	Levels			
	1st	2nd	3rd	All
1960-1965 . . .	6.8	9.6	12.5	7.5
1965-1970 . . .	3.8	6.4	7.4	4.4
1970-1975 . . .	3.0	4.8	4.1	3.4
1975-1976 . . .	3.8	5.7	-1.9	4.1

Source: UNESCO, "Statistics", table 7.

414. Education of children at the first level is seen in all countries as the first requisite of a development-oriented education strategy. Yet in nearly all developing countries in the ESCAP region growth of enrolment at the first level during the period 1970-1975 was below the rate of growth during the previous five years (see table 66). In the 10 years from 1965 to 1975 the rate of increase of enrolments at the first level in developing countries of the region was lower than in any previous decade and the enrolment expansion barely kept pace with population growth. To some degree, this deceleration

¹⁵⁴ This section is based on two United Nations Educational, Scientific and Cultural Organization documents, "Education in Asia and Oceania: progress and prospects" (ED-78/MINEDASO/3) (Bangkok, 1978) (mimeo.) hereafter referred to as "Progress" and "Development of education in Asia and Oceania: statistical trends and projections, 1965-1985" (ED-78/MINEDASO/REF.2) (Bangkok, 1978) (mimeo.) hereafter referred to as "Statistics", which were presented to the fourth Regional Conference of Ministers of Education and Those Responsible for Economic Planning in Asia and Oceania held in Colombo between 24 July and 1 August 1978. However the responsibility for the views expressed in this section lie with the ESCAP secretariat.

Table 66. Selected developing ESCAP countries: growth of enrolment by level of education (multiplier 1965-1970, 1970-1975 and 1975)^a

	1st level			2nd level			3rd level		
	1965-1970	1970-1975	1965-1975	1965-1970	1970-1975	1965-1975	1965-1970	1970-1975	1965-1975
<i>Developing countries</i>									
Afghanistan	1.59	1.30	2.07	2.28	1.76	4.00	2.24	1.59	3.55
Bangladesh	1.46	1.31	1.91	1.70	1.50	2.55	3.18	1.53	4.86
Burma	1.41	1.08	1.53	1.86	1.17	2.18	1.77	1.22	2.15
India	1.17	1.13	1.32	1.26	1.14	1.43	1.40	1.18	1.66
Indonesia	1.27	1.23	1.56	1.69	1.37	2.31	1.77	1.12	1.99
Iran	1.33	1.31	1.74	1.83	2.07	3.79	2.52	2.03	5.12
Lao People's Democratic Republic	1.52	—	—	2.18	—	—	2.63	—	—
Malaysia	1.17	1.12	1.30	1.52	1.54	2.35	1.35	2.17	2.93
Mongolia	1.40	1.17	1.64	1.59	1.49	2.37	0.86	1.43	1.23
Nepal	1.35	1.38	1.85	1.34	1.44	1.93	2.19	1.32	2.89
Pakistan	1.27	1.33	1.68	1.39	1.39	1.93	1.64	1.04	1.71
Papua New Guinea	1.04	0.99	1.02	2.20	1.61	3.55	—	6.00	—
Philippines	1.20	1.10	1.31	1.45	1.31	1.91	1.23	1.17	1.45
Republic of Korea	1.16	0.97	1.13	1.61	1.64	2.64	1.42	1.48	2.10
Singapore	1.02	0.90	0.92	1.30	1.22	1.58	1.00	1.64	1.64
Sri Lanka	0.96	0.87	0.84	1.23	1.08	1.33	0.86	1.22	1.04
Thailand	1.22	1.19	1.44	1.67	1.66	2.78	1.52	1.41	2.15

Source: UNESCO, "Statistics", table 8.

Note: ^a Each multiplier is calculated as: $\frac{\text{Number enrolled at start of period}}{\text{Number enrolled at end of period}}$ (for example, between 1965 and 1975, the numbers enrolled at the first level in Afghanistan more than doubled).

Table 67. Selected ESCAP countries: ratios and growth of enrolment at first level, 1960-1975

Country (population in million)	Enrolment ratios				Annual growth rate			Population growth		
	1960	1965	1970	1975	1960-1965	1965-1970	1970-1975	1960-1965	1965-1970	1970-1975
<i>Developing ESCAP</i>										
<i>West Asia</i>										
Afghanistan (19.3)	8.3	15.2	20.6	22.2	15.3	8.6	5.1	2.1	2.2	3.6
Iran (32.9)	39.6	61.3	70.7	78.0	12.5	5.8	4.9	3.1	2.8	2.9
<i>South Asia</i>										
Bangladesh (73.7)	41.6	43.6	54.0	63.4	4.5	7.9	5.5	3.6	3.4	2.2
Burma (31.2)	50.6	61.1	76.3	75.9	7.0	7.1	2.8	3.1	2.5	2.9
India (613.2)	53.2	65.4	64.6	66.2	7.8	3.1	2.6	3.4	3.4	2.1
Nepal (12.6)	8.6	15.2	18.9	23.2	15.2	6.1	6.6	2.7	1.7	2.3
Pakistan (70.6)	27.7	34.9	38.5	44.5	8.9	4.8	6.1	2.7	2.9	3.1
Sri Lanka (14.0)	103.7	96.5	82.9	65.0	1.1	-0.8	-1.7	2.6	2.3	2.2
<i>Southeast Asia</i>										
Democratic Kampuchea (8.1)	64.3	76.8	...	...	7.1	...	...	3.3	2.8	2.6
Indonesia (119.5)	66.6	69.4	75.2	81.2	5.5	4.9	4.2	4.6	3.3	2.6
Lao People's Democratic Republic (3.3)	25.1	39.9	53.8	63.1	12.1	8.7	6.0	2.1	2.4	2.6
Malaysia (12.1)	95.9	90.1	91.0	92.7	2.5	3.2	2.1	3.8	3.0	1.7
Philippines (44.4)	92.3	108.7	110.2	100.8	6.7	3.7	1.9	3.3	3.4	3.7
Singapore (2.2)	111.4	105.3	105.5	108.5	4.6	0.4	-2.3	5.8	0.3	-2.9
Thailand (42.1)	90.3	85.9	91.0	93.2	3.3	4.0	3.5	4.3	2.8	3.0
<i>East Asia</i>										
Mongolia (1.4)	51.3	62.3	72.4	76.1	7.4	7.0	5.0	3.3	3.8	4.0
Republic of Korea (34.7)	94.3	100.9	105.3	108.8	6.4	3.1	-0.5	5.0	2.2	-1.2
<i>Pacific</i>										
Papua New Guinea (2.7)	67.5	70.7	63.4	57.0	3.9	0.8	0.4	2.9	3.0	2.5
<i>Developed ESCAP</i>										
Australia (13.8)	121.2	116.6	113.5	114.6	1.2	1.7	0.2	2.0	2.2	-0.0
Japan (111.1)	102.9	100.4	99.6	100.1	-4.9	-0.6	1.6	-4.4	-0.4	1.4
New Zealand (3.0)	110.0	108.1	110.2	109.5	2.5	1.7	-0.5	2.8	1.3	-0.3

Source: UNESCO, "Progress", table 1.

Note: ^a Number enrolled per hundred persons in the normal age group for first level.

reflects the attainment of high enrolment levels. But while the Philippines, the Republic of Korea and Singapore, of the developing countries of the region, had achieved universal enrolment at the first level by 1975, in many other developing countries enrolment ratios were far below universality, particularly in south Asian countries; moreover, enrolment at school is not necessarily synonymous with attendance. (In table 67 enrolment ratios greater than 100 reflect enrolment of children of ages other than the normal ages for primary school.)

415. In the developing ESCAP region the numbers of children and young people out-of-school — those who lack even the most basic employable skills — have continued to increase in the 6-11 age-group; there were an estimated 73 million out of school in 1975. In fact the total numbers of children and young people who are out of school are more than double those in school, and the majority of them are girls. In most developing countries the largest out-of-school group comprises young people who have had no schooling and those who have not completed primary education. In a number of countries, for example India, Indonesia, Iran, the Philippines and Thailand, programmes have been initiated which are exploring non-traditional and non-formal ways to develop the productive potential of young people who have not been reached, or have been by-passed by the formal education system.

416. Not only have most countries a long way to go before equal educational opportunity is provided at the first level, but the magnitude of educational wastage at this level is also enormous. It is estimated that on average only four out of every 10 children enrolled in grade I reach grade V four years later. It appears that the percentage of educational wastage tends to maintain itself over long periods of time even when enrolment ratios may be rising rapidly. The causes of educational wastage are economic, social and educational but experience of countries such as Malaysia, Mongolia, the Republic of Korea and Singapore shows that with positive educational and other measures, educational wastage at the first level can be reduced very substantially within a relatively short period.

417. In the developing countries of the region the rate of growth of enrolment between 1965 and 1975 was higher at the second level than at the first (although in a majority of countries there was a deceleration between the two five-year periods). It is notable that this faster growth of secondary enrolment occurred particularly in countries where enrolment ratios at first level are still low, indicating a failure to give highest priority to widening primary education in these countries.

418. Within secondary education, one of the major concerns of educational policies in the region has been diversification into vocational and technical training. However here too, policies have not been matched by results, since vocational education (particularly related to agriculture and rural occupations) and teacher training at the second level have, in most countries, grown slower than total secondary education. Their share in total enrolment has stagnated or declined since 1965 in more than half the countries, demonstrating that the dominant role of secondary education as an academic preparation continues to prevail.

419. The growth rate of enrolment at the third level of education slowed from 7.4 per cent per annum in 1965-1970 to 4.1 per cent in 1970-1975 for the region but experience varied considerably between countries. In middle-income countries such as Malaysia, Mongolia, the Republic of Korea and Singapore, as well as in Sri Lanka, there was a rise in the rate. In most countries there has been an expansion in the science-based fields of study but the major share of enrolment continues to be in arts and arts-based fields.

420. Many countries are now concerned about the increasing problem of graduate unemployment and some are trying to regulate entry into the third level of education. Increasing efforts are also being made to diversify the structure of the third level away from domination by university institutions, but success to date is reported to have been limited. One of the major problems is to ensure parity of esteem between universities and other institutions.

421. Teacher training has expanded rapidly since 1965 and is no longer a bottleneck in the region except for certain specialized scientific and technical fields. Difficulty in raising the proportion of female teachers at both first and second levels remains, however, though wide variations exist: from the Philippines with 78 per cent female teachers in primary and 68 per cent in secondary, to Nepal and Bangladesh with 3 and 4 per cent female teachers respectively in primary and 7 and 10 per cent respectively in secondary education.

423. Adult illiteracy, which reflects educational deprivation, is another major problem in more than half the countries of the region. While the percentage of illiterates in the population has declined, their absolute number has increased from about 307 million in 1955 to 355 million in 1970. In seven countries the illiteracy rates are over 70 per cent and in all countries illiteracy among women is higher than among men; in some countries nine tenths or more of the female population is illiterate (see table 68). There are also marked disparities between literacy

levels of rural and urban populations. The absolute number of illiterates continues to grow throughout the region, as literacy drives seem to stagnate after initial successes. It has become recognized that literacy drives must become an integral part of a wider educational endeavour designed to meet the learning and training needs of adults.

423. Analysis of total expenditure on education is difficult because it includes public as well as private outlays. However, public outlays are decisive in determining the scope and direction of educational development. The average annual rate of increase in public expenditure on education in the developing countries was 6.9 per cent in the period 1965-1970 rising to 16.3 per cent between 1970 and 1974. Discounting for inflation, however, the average annual increase would be no more than half this. In many countries increase in per pupil expenditure on education has not kept pace with the increase in *per capita* income; in some, per pupil expenditure has actually declined (see table 69).

424. Two issues regarding educational expenditure should be raised here. The first is that the higher unit costs at secondary and tertiary levels combined with the faster enrolment growth rates at these levels means that these levels have tended to absorb a comparatively large share of resources. Combined with this is the fact that students from middle and upper classes form the majority of students at these levels. As a result the financing mechanism of the education system operates to favour the better-off students.

Table 68. Selected developing ESCAP countries: illiteracy rates for males and females

Category and countries	Year	Illiteracy rate for males	Illiteracy rate for females
Over 60 per cent illiteracy			
Afghanistan	1965	88.0	99.0
Bangladesh	1961	66.6	91.3
India	1971	53.2	81.1
Iran	1966	67.1	87.7
Lao People's Democratic Republic	1962	70.0	73.0
Nepal	1971	77.6	97.4
Pakistan	1961	76.5	94.2
30-59 per cent illiteracy			
Burma	1962	20.0	60.0
Indonesia	1971	30.5	55.4
Malaysia	1970	30.1	56.9
Singapore	1970	17.0	45.7
Below 30 per cent illiteracy			
Philippines	1970	15.7	19.1
Republic of Korea	1970	5.0	17.0
Sri Lanka	1971	14.0	31.5
Thailand	1970	12.8	29.7

Sources: UNESCO, "Progress;" national sources.

Table 69. Selected developing ESCAP countries: per pupil public expenditure on education compared with *per capita* income, 1965, 1970 and latest year available

Country	Year	Per pupil public expenditure on education (\$US)	Per capita income (\$US)
Afghanistan	1965	29	65
	1970	30	80
	1974	34	100
Bangladesh	1965	11	...
	1970	8	...
	1974	...	100
Burma	1965	16	65
	1970	16	80
	1974	...	90
India	1965	19	90
	1970	18	110
	1974	...	130
Indonesia	1965	11	85
	1970	14	80
	1974	26	150
Iran	1965	60	...
	1970	68	380
	1974	87	1,060
Lao People's Democratic Republic	1965	29	65
	1970	24	120
	1974	...	70
Malaysia	1965	71	260
	1970	74	380
	1974	183	660
Nepal	1965	12	65
	1970	10	80
	1974	20	110
Pakistan	1965	25	85
	1970	30	n.a.
	1974	...	130
Papua New Guinea	1965	65	130
	1970	105	300
	1974	...	440
Philippines	1965	19	150
	1970	16	210
	1974	...	310
Republic of Korea	1965	20	120
	1970	49	250
	1974	...	470
Singapore	1965	87	450
	1970	114	920
	1974	255	2,120
Sri Lanka	1965	30	140
	1970	34	110
	1974	39	130
Thailand	1965	24	120
	1970	36	200
	1974	46	300

Source: UNESCO, "Progress," table 6.

425. The second issue is the very high proportion of recurrent educational expenditure which goes to teachers' salaries in developing countries — about 85 per cent at the first level, with some countries spending as much as 90 and 95 per cent. As a consequence very little remains for books, learning aids, scholarships and so on. It is not realistic to suggest a reduction in the already meagre salaries of teachers, but non-salary educational inputs are vital. Greater productivity may result from a different input mix, including for example, higher pupil/teacher ratios and a student/book ratio of 1:1.

(b) Policy perspectives

426. The continued educational growth over the last 10 years, reflected in the above review, has been accompanied by significant reorientations in educational policy in countries of the region. However, efforts to transform a largely elitist system into one with a more egalitarian base, remain largely unfulfilled in several countries, bringing to light a number of outstanding problems.

427. There are problems of continuing imbalance within the system. Fundamentally, there is an imbalance between the formal education system, which has received the majority of resources, and the informal system with alternative ways of providing education and training for youth and adults. Despite the growth of the formal educational systems, educational benefits have not reached the mass of the people. Hence, educational expansion, in terms of its declared benefits, has rated poorly in cost-effectiveness.

428. At the first level of education, there is the problem of the failure of schools to provide learning which is suited to the needs of the children and adapted to their environment and background. Greater compatibility would require both far-reaching changes in traditional curricula, which have previously been conceived as a preparation for higher levels, and more important still, changes in the traditional role of the teacher.

429. Two major problems arise at the secondary level. The first is how to marry the conflicting claims of the educational function and the selection function of the schools for higher education. The second concerns the best way to combine two functions of secondary schools: as a terminal stage for those who will have to join the world of work, and as a preparatory stage for higher education. In developing countries this difficulty is exacerbated by the differences in employment prospects and rewards which the graduates of the two streams obtain.

430. Diversification at the third level of education has proved even more difficult, but two trends are emerging that may help to change this situation. The first is the tendency in some countries to decentralize some universities to the provincial level with a view to their engaging more directly in regional development. The second consists of the trends towards providing alternative paths to university education such as linking them to adult education. The educational structure in general needs to become much more flexible in order to make it possible for people to enter the education system at different points and times and to alternate study with work.

431. Educational objectives of governments in the region reflect a widening recognition of these problems, and raise several key issues for the orientation of policies. In the first place, there is a need to provide more adequately for the disadvantaged and deprived groups in the population; secondly, there must be a wider mobilization of all possible resources to enhance educational efficiency; thirdly, education must be more closely interlinked with productive work, and fourthly, education must be reformed to serve the wider needs of economic, social and cultural development better.

(i) Wider access to education

432. Poverty and social deprivation have acted as a powerful inhibitor to participation in education; a lack of financial means and apathy and indifference associated with poverty are the main reasons for over 80 per cent of children in the age-group 6-10 years not enrolling in schools. In the developing countries of the ESCAP region the problem of access of children to education is also found to be bound up with the problem of adult illiteracy.

433. In many countries of the region, there is also a serious problem of unequal access to education, as between males and females. The rates of illiteracy among adult women are markedly higher than among adult males and there are sharp disparities in the enrolment ratios between girls and boys at the primary level. The drop-out rates among girls are also higher and the opportunity gap widens further at secondary and tertiary levels. The quantitative expansion in the last two decades has not corrected the imbalance to any appreciable degree.

434. The other area of inequality is in education of the population living in rural areas. The rural-urban differential in educational opportunities starts at the primary level and increases sharply at higher levels. Not even one primary school pupil in two has a statistical chance of completing primary education. The others fall by the wayside before a

measure of permanent literacy has been achieved. The vast majority of those who drop out are found among the poorest section of society, in rural areas, and most of them are girls. Studies have found that differences in school achievement are associated with the socio-economic background of the pupils. The school factors apparently have little impact on reducing these disparities in achievement, and may well be reinforcing them.

435. In most countries of the region, access to the second level of education is only through the completion of the first cycle. There are no lateral entries and no points of return. Access is thus characterized by the disparities at the first level only in magnified form; it is not surprising that the pattern of access to higher education shows even greater disparities.

436. Since the Second World War it has been a major principle of all developing countries of the ESCAP region to expand educational facilities so as to provide a broader access to education. Yet this expansion has usually taken place within the existing patterns and structures. The inadequacy of this approach has become evident and countries are making important changes in policies to focus increasingly on problems of deprivation, poverty and inequality.

437. One of the results is an expansion and diversification of non-formal education, involving a wide range of educational programmes organized and carried out outside the school system. Other efforts are being made by increasing pre-school education in some countries, by making it possible for people to re-enter the education system, by expanding the use of open learning system, by decentralizing educational institutions and by initiating programmes that strengthen the ties between the schools and the communities they serve.

438. Yet there is a need for an expansion and renovation of the school system itself. An important aspect of this strategy is to introduce in the primary school system a "positive discrimination" in favour of the disadvantaged groups of learners through, for example, financial support, mid-day meals, remedial education and transport facilities. Environmental factors are important in developing learning capacity and lack of nutrition can be a crucial factor in a child's motivation to learn.

439. The curriculum of primary schooling must be related to the pupils' environment and meaningful to their everyday life. In this respect, the language medium of instruction is also very important. Even in a uni-language society there are many significant local variants and social dialects of the standard language. There is a great need for more systematic research into the problems of "bilingual" educa-

tion and for the development of curricula that will cultivate such bilingual ability.

440. The new emphasis on an educational system responsive to individual learning needs does not imply exclusion of a common body of skills and capabilities that all young learners must acquire, but the devising of a basic minimum core more relevant to the learners' ways of life.

441. To widen access to primary education the structure of the school system needs to be made more open to provide multiple points of entry and re-entry and more flexibility is required in the age of entry, duration of the basic cycle and progression within that cycle.

442. All this has important implications for teacher education. The tendency in most countries of the region has been to raise the pre-service qualifications required and to move teacher training toward the tertiary level. In most cases the problems of teacher-learning in conditions of deprivation do not figure in the general pattern of teacher education programmes.

443. The disparities and social disabilities which are engendered at the second level of education are being increasingly recognized in national education policies. Many countries have initiated measures to counter these imbalances. In a number of countries provision is being made for lateral entry into the second level. There is a more even geographical spread of secondary schools, and experiments are being made with special forms of more open schools. Quota systems have been introduced in some countries to ensure access to disadvantaged sections of the population. Comprehensive secondary schools are being established which lessen rigid differentiation between streams and in many countries the functions of second-level schools are being re-examined.

444. Many countries in the region have recognized in their education policies that fundamental changes in the structure of higher education are needed if social discrimination engendered by the selection procedures is to be countered. However the greater equality of access to higher education cannot be dealt with in isolation and calls for measures at all levels of education.

(ii) Efficiency in education and mobilization of all possible resources

445. Public expenditure on education in the region, between 1965 and 1975 increased on average by 7 per cent a year, which was for most countries higher than the growth rate of national incomes. Yet, the per pupil unit costs, especially at the first level, in a majority of the developing countries, are almost the lowest in the world. Attempts to relieve resource

constraints through the mobilization of new and unconventional resources, the introduction of cost-saving educational technologies, improved school design and construction and the more efficient management of teacher-learning processes, have come to receive attention only very recently.

446. Most abundant in supply, and at the same time underutilized, are the human resources that comprise the general population and the educational system itself. Any strategy aimed at enhancing educational efficiency through resource mobilization and utilization must view the skills, motivation and practical wisdom of the people as its very cornerstone. The importance of the people as a resource is enhanced by a development process in which they are active participants.

447. One crude device for measuring the efficiency of the education system is the number of years invested by the school system to produce a successful graduate. This device reflects the wastage of resources caused by repetition and drop-out. The figures show that some countries are investing resources to produce school leavers that are nearly three times the amounts required if wastage were eliminated. In some countries, remote provincial schools invest two to three times more pupil years per school leaver than their urban counterparts. But as important as dropping out and repetition is the widespread phenomenon of "underachievement" among pupils who manage to survive the primary cycle. At the second level a broad indicator of performance is provided by examination results and here the proportion of "successful" students varies from 45 to 60 per cent in developing countries of the ESCAP region, indicating that a substantial proportion have to repeat or drop out.

448. Other factors affecting efficiency are the duration of studies, teaching resources, utilization of buildings and equipment. The duration of studies at various levels of education has important implications for the cost of education. International "demonstration effect" has been important in this area but it can be asked whether an additional year of schooling at the first and second levels makes any significant contribution to pupils' achievement, or whether, at the third stage the level of professional ability is not far in excess of immediate needs.

449. Another decisive element in the cost of education is the pupil/teacher ratio. Recent studies in Asian countries indicate that within certain limits, and given appropriate changes in methods of instruction, the pupil/teacher ratio in the basic cycle can be raised considerably without affecting pupil achievement. Another issue is how teachers are distributed by grade and by level. The most common

pattern is for pupil/teacher ratios to lower as one goes higher. It may be that just the opposite would be more efficient. The lengthening of pre-service training for teachers is also being questioned. A study in Thailand¹⁵⁵ found "that pupils perform about the same irrespective of whether teachers have 2 years or 4 years training or a degree (in education)."

450. The cost and use of school facilities also has an important bearing on education costs. Perhaps the greatest opportunity for resource conservation is in the higher rate of utilization of buildings.

451. Governments in many countries have become increasingly concerned with the rapid and costly expansion of higher education. Combined with this are findings that social rates of return to education decline and private rates of return to education rise in secondary and tertiary education.¹⁵⁶ In some countries, notably the Philippines and the Republic of Korea, national examinations have been instituted to regulate admission to higher education. In some other countries, governments have set ceilings on admission to colleges with quotas reserved for deprived groups with remedial programmes where needed. Another proposal is to make the industrial sector pay a greater contribution to the financing of education, particularly technical and vocational.

452. Combined with increased educational efficiency, countries are making efforts to mobilize other resources for the education process. These efforts include such things as the use of the mass media, the utilization of para-educational personnel in the community, the use of buildings and other facilities not originally intended for education and the use of young people themselves as an educating resource. The Education Corps of Iran, for example, uses young high-school graduates to teach in rural areas. The Study Services project of Indonesia, the National Development Service in Nepal and the Youth Civic Action Programme of the Philippines all mobilize students for development work.

453. Finally, educational efficiency is increased if a broad cross-section of the people are involved in education as an integral part of community develop-

¹⁵⁵ National Education Commission, Ministry of Interior, Ministry of Education, *A Study of Primary Schooling in Thailand: Factors Affecting Scholastic Achievement of the Primary School Pupils* (Bangkok, 1977).

¹⁵⁶ M. Blaug, *The Rate of Return on Investment in Education in Thailand, Report to the National Education Council on the Third Educational Development Plan* (Bangkok, National Education Council, December 1971), M. Blaug, R. Lavard, M. Woodhall, *The Causes of Graduate Unemployment in India* (Harmondsworth, Penguin, 1969); International Labour Organisation, *Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines* (Geneva, 1974).

ment. Yet to be effective, they must participate at all stages from planning to evaluation. Community organizations such as the Village Social Worker Programme in Bangladesh, the *Saemaul Undong* Movement in the Republic of Korea or the people's communes of China facilitate grass-roots level participation.

454. However, strategies for mobilizing local participation and support for education encounter problems such as the co-ordination of government programmes and responsibilities with local initiatives; control of the quality of education standards in situations of great diversity; and the safe-guarding of equality of opportunity among communities that are very differently endowed in terms of income and other resources.

(iii) Education and productive work

455. It is evident that most of the developing countries of the ESCAP region suffer from serious structural weaknesses in their educational systems, insofar as output generally exceeds employment opportunities by a substantial margin. Projections of the sizes of these imbalances for six countries have been made for the years 1973 and 1980 and are presented in table 70. The exercise is purely an illustrative one, since the assumptions, which are necessary in the absence of more exact data, may not be an accurate reflection of reality particularly regarding the sizes of school outputs and the modern sector labour force. However, the figures probably do not belie the broad dimensions of the imbalance, which are strikingly large.

456. If the fast employment growth (8 per cent) scenario in 1980 is assumed, the figures demonstrate that all six countries (excepting the Philippines) could by then have "solved" the problem of dynamic imbalance, at least from the point of view of the male population. Yet the slow employment growth scenario is the more realistic one in most countries and the dynamic imbalance therefore appears likely to remain serious, although the growth in absolute numbers of unemployed school-leavers in each year between 1973 and 1980 may not be high. It is a sobering reflection, however, that in a country such as India an enrolment rate higher by a few percentage points would increase the shortfall by several hundred thousands.

457. Clearly, the restructuring that needs to take place in the educational systems of many of the developing countries of the ESCAP region must be mainly qualitative, and match school output not merely to opportunities in the formal sector to which current curricula are geared, but to the wider social and productive needs of the economy. In some

countries there is increasing dissatisfaction because education systems are isolated from the larger social and development goals of the society. Nowhere is the isolation as obvious as in the failure of education to provide young people with an active comprehension of, and a capacity to assimilate into, the world of work. Modern education systems in developing countries of the ESCAP region have removed education from the traditional learning process of which work experience was an indispensable part, with profound social implications and the tendency to create a gap between the "educated" minority and the mass of the people. The interlinking of education and productive work is a qualitative change that affects all aspects of education and its relation with all other development sectors.

458. The basic purpose of an education system should be to prepare women and men for integration into the productive life of the society and increasingly, the education systems have been unable to perform this task adequately. There are also considerations of an economic nature, for the gap is widening between the output of skills generated in the educational systems and the requirements of developing economies, particularly the skills needed for increasing productivity in the rural and traditional sectors.

459. Another argument for the integration of education and work is that the education system takes a large proportion of young people out of the productive process for extended periods of time. However, there is evidence from many countries that when productive work is part of learning, substantial resources for the educational system can be generated.

460. Functional education which seeks to link learning directly with work experience should begin even at the pre-school age so that school attendance does not mean a sudden rupture in the experience of growing up. In the educational programmes of Indonesia, Nepal and Sri Lanka primary-school children work with older classmates in various agricultural activities. At the secondary level the trend is towards incorporating elements of vocational, technical and agricultural experience in general education. This is the case in the 1975 educational reforms in Iran. Similar objectives exist for the repatterning of the formal education system in India. In Pakistan, agro-technical education is gradually being introduced at the secondary level. Other examples exist in Burma, the Philippines and Sri Lanka. Bridging the gap between work and learning has been slower to come in higher education than at schools in developing countries, but there are signs of change; for example, extension services from the agricultural faculties of universities in Indonesia, Malaysia, Nepal, Pakistan and Philippines.

Table 70. Selected developing ESCAP countries: a comparison of school outputs and new job vacancies in the modern sector, 1973 and 1980

Country	Year	Sex composition	School outputs as percentage of age 15 cohort ^a (primary and above)	New vacancies in modern sector as percentage of new labour force entrants (school output) under alternative assumptions of growth rates of modern sector employment			Numbers of school leavers entering labour force in excess of new vacancies in modern sector (thousands) under alternative assumptions of growth rates of modern sector employment		
				2 per cent	5 per cent	8 per cent	2 per cent	5 per cent	8 per cent
India	1973	Male	55.4	19.0	33.2	47.5	4,810	3,966	3,117
		Female	34.4	4.0	8.4	12.2	2,053	1,977	1,895
		Total	45.3	21.0	36.6	52.3	6,863	4,880	3,672
	1980	Male	52.0	30.2	64.6	112.3	2,977	1,553	—529
		Female	40.5	4.0	8.4	14.6	2,981	2,844	2,652
		Total	46.4	19.2	41.2	71.6	5,975	4,348	2,115
Malaysia (Peninsular)	1973	Male	92.4	27.8	48.6	69.4	84	60	36
		Female	84.0	9.8	17.0	24.4	92	85	77
		Total	88.3	19.4	33.9	48.4	176	145	113
	1980	Male	98.0	26.3	56.4	98.2	104	62	2
		Female	95.3	8.6	18.5	32.1	122	109	91
		Total	96.8	17.7	37.9	65.9	226	171	93
Philippines	1973	Male	89.7	12.6	22.1	31.4	393	350	308
		Female	89.6	8.6	15.0	21.4	396	368	340
		Total	89.6	10.7	18.8	26.8	787	716	645
	1980	Male	82.8	12.3	26.4	45.9	462	388	285
		Female	83.0	8.3	17.8	31.0	470	421	353
		Total	82.9	10.4	22.3	38.8	931	807	617
Republic of Korea	1973	Male	98.0	25.3	44.3	63.2	314	234	155
		Female	98.0	9.1	15.9	22.7	268	340	313
		Total	98.0	17.3	30.3	43.3	682	575	468
	1980	Male	98.0	26.8	57.6	100.1	333	193	0
		Female	98.0	9.5	20.4	35.5	401	353	286
		Total	98.0	18.3	39.2	68.3	733	546	285
Singapore	1973	Male	97.2	47.6	83.3	119.0	14	4	—5
		Female	91.9	26.0	45.4	64.9	18	14	9
		Total	94.6	37.3	65.2	93.2	33	18	4
	1980	Male	98.0	52.3	112.2	195.4	14	—3	—27
		Female	98.0	26.9	57.8	100.5	20	12	0
		Total	98.0	40.6	87.0	151.4	33	7	—28
Sri Lanka	1973	Male	75.2	43.6	76.3	109.2	66	28	—11
		Female	80.8	7.9	13.7	19.7	113	106	99
		Total	78.0	25.4	44.5	63.6	178	133	87
	1980	Male	75.2	44.4	95.2	165.7	74	6	—87
		Female	80.8	8.0	17.3	30.2	126	114	96
		Total	78.0	25.9	55.5	96.7	200	120	9

Source: Ronald Dore and others, "The basic arithmetic of youth employment" (World Employment Programme Research Working Paper) (Geneva, International Labour Organisation, 1976) (mimeo.).

Note: ^a It is assumed that the number of 1973 potential labour market entrants was equal to the number of the 1973 age-15 cohort—i.e., the number of new additions to the working age population. Due to the lack of tabulations by single years of age for most countries, the age-15 cohort was calculated by taking one tenth of the 10-19 age group. Data source: International Labour Organisation, "Labour force projections 1965-1980" (Geneva, 1971); for Peninsular Malaysia: Statistics Department, *Vital Statistics, Peninsular Malaysia, 1972* (Kuala Lumpur, 1974; adapted) and *Social Statistics Bulletin, Peninsular Malaysia, 1975* (Kuala Lumpur, 1977).

461. Much more efficacious than the formal educational programmes, however, have been the non-formal programmes in the region, though most of them are still experimental. Examples in such countries as Bangladesh, India, Philippines and Thailand¹⁵⁷ have shown a much greater potential than formal education to link learning and productive work effectively.

462. There are of course many educational problems related to the linking of learning and the world of work. Yet despite the problems of planning, financing and managing such programmes on a wide scale, such linkages are essential to a development-oriented education strategy. Strategies of this nature, however must take account of the following considerations. First, interlinking education and productive work is not vocational training in the sense of preparing students for specific occupations. Secondly, the productive work must be found in real life situations; school workshops and farms can segregate learning from real problems just as effectively as academic education does. Thirdly, this type of work experience lays great stress in instructional methods on practical problem-solving and on enquiry and investigation by the students. Fourthly, programmes linking education with productive work have to be closely related to other development programmes of the government. This will require integrated planning.

(iv) Reform and renewal of education closely linked to economic, social and cultural development

463. Contemporary development policies are more consciously directed to equity and to problems of poverty and deprivation. In the current decade many countries in the ESCAP region have initiated educational reforms in line with new development strategies.¹⁵⁸ Unlike the reforms of earlier years which were almost exclusively concerned with factors internal to the education system (structure, content, etc.) the current policy formulations cover a much wider range of objectives.

464. A significant development has been the widespread acceptance of the principle that education is no longer to be considered synonymous with schooling. This has led to the provision of facilities of an unconventional nature—embracing also those outside the school system—and to the evolution of new forms or types of schools, for example, the community schools of Bangladesh, Burma, Lao People's Democratic Republic and Thailand. In addition, measures have been proposed or experimentally implemented in several countries in adult education.

465. The questions of quality and relevance are of continuing concern in most reform measures and new curricula at the first and second levels have been introduced in most countries. Examination reform is receiving special attention and in some countries, notably India, Malaysia and Sri Lanka, fundamental changes have been made.

466. In the last two decades science and technology education has been accorded priority in many educational plans and there is now a noticeable shift away from theory to the application of science and its technical aspects. A major issue in most countries is the role that educational institutions could and should play in evolving intermediate technology for the country's development, especially in regard to rural areas. Many problems remain, however, not least of which is the shortage of teachers to provide all students with an exposure in science and technology education.

467. Another reform of importance has been the introduction of population education, the goal of which is to provide people with an awareness of the interrelationships between population change and development.

¹⁵⁷ For example, the Underprivileged Children's Educational Programme in Bangladesh; the Package Plan for Rural Development through Education in Tamil Nadu, India; the Mobile Trade Training Schools and Adult Vocational Schools in Thailand; and the Barrio Development School Project in the Philippines.

¹⁵⁸ The Government of Afghanistan adopted in July 1975 a new educational policy and introduced educational reforms to meet the requirements of social, cultural and economic development of the country. In Bangladesh, the guidelines for a significant range of reform measures have been formulated by a Presidential Education Commission which was appointed in 1972. In Burma, a re-appraisal of the educational system was made by the Socialist Programme Party and new educational policies were formulated in 1974. In India, following the recommendations of a National Education Commission the Government announced a National Policy on Education; recently a Policy on Adult Education has been promulgated. In Indonesia, major educational policy measures are incorporated in Repelita-II (Second Five-Year Development Plan, 1974-1979). In Iran, measures for reorganizing the education system were introduced towards the end of the 1960s and are in the process of implementation. Malaysia is carrying out a ministerial investigation into educational objectives and programmes through a Cabinet Committee. Nepal's National Education Committee laid down policy guidelines and directions in the light of which a new education system plan is now being implemented. The Government of Pakistan announced the Education Policy in March 1972 which defines the objectives and strategies for educational development in the country. The Government of Papua New Guinea is implementing a Five Year Education Plan, 1976-80. In the Philippines following the report of a Presidential Commission to Survey Philippines Education, the Education Development Decree was promulgated in 1972 which lays down the basic objectives and strategies for education and training. The Basic Policy Directives on Education in the Republic of Korea are embodied in the Fourth Five-Year Economic Development Plan (1977-1981). Sri Lanka introduced a series of reforms in 1972 which cover both the content and the structure of education in relation to other development processes. In Thailand, following the recommendations of an Education Reform Committee, the "1977 National Education Scheme" was introduced. Major reforms and reorganization of education have also been carried out in China, Lao People's Democratic Republic and Viet Nam.

468. The role of higher education in national development has emerged as a further issue of special concern. Tertiary education reform has been important in Burma, Nepal, Pakistan, the Philippines, and Thailand. In addition, individual universities and institutions are conducting significant experiments in new organization and functions.

469. Another major development in education has been the growth of the capacity to plan and manage increasingly complex educational systems. Educational planning is now well established in the development machinery of the governments and educational plans in all the developing countries form part of the over-all development plans.

470. To sum up, educational planning in the past has been concerned with quantitative expansion and internal aspects of the formal education system. The changes in the education system now being considered or implemented are more of a qualitative

nature and the techniques and procedures of education planning will need to be strengthened to add these new dimensions to the planning function. Ultimately these qualitative changes can only be successful if there is broad-based participation in planning and reforms.

4. Housing

(a) The current situation and its background

471. The developing countries of the ESCAP region are faced with enormous and rapidly growing housing requirements. During the period 1970-1975 an estimated 24.7 million dwelling units were needed, two thirds in rural areas, to cope with the increase in population, the replacement of obsolete stock and the elimination of the shortages (see table 71). Between 1975 and 1985, this requirement will be close to 56 million new units, implying a sharp acceleration in current construction rates.

Table 71. ESCAP region: estimated housing needs, 1970-1985
(million dwelling units)

Housing required to provide for	Average annual requirements					
	1970-1975		1975-1980		1980-1985	
	Urban	Rural	Urban	Rural	Urban	Rural
Population increase ^a	4.9	4.7	5.8	4.7	10.7	4.6
Replacement of obsolete stock ^b	2.0	7.0	2.0	7.0	2.0	7.0
Elimination of existing shortage	1.4	4.7	1.4	4.7	1.4	4.7
Total	8.3	16.4	9.2	16.4	14.1	16.3
Percentage of total		67		64		54

Source: *Survey of Rural Housing and Related Community Facilities in Developing Countries of the ESCAP Region* (ST/ESCAP/23).

Notes: ^a Number of dwellings is calculated by dividing the average annual population increase by an assumed average household size of 5 persons for urban areas and 5.5 persons for rural areas.

^b Calculated on the assumption that 60 per cent of the 1970 urban population will need to be rehoused in 30 years, while 50 per cent of the rural population will require rehousing within 20 years.

472. These enormous requirements are distributed unevenly throughout the region. Countries with large and rapidly growing populations and low *per capita* incomes have substantial needs while the middle-income countries are generally better off. Hong Kong and Singapore have made great strides towards alleviating their housing problem, but the challenge of maintaining and improving the standard of accommodation is continuous.

473. Although the degree of urbanization in most developing countries in the ESCAP region is well below that of the industrial nations, they are in the process of urbanizing much more rapidly due to both greater natural urban growth rates and high levels of rural-to-urban migration. The housing

problem is further complicated by the large backlog of housing needs for the poorest in urban settlements. The absolute numbers of squatters and slum dwellers in some cities of these nations are greater than the entire populations of even medium-sized countries. These conditions lead to inadequate, overcrowded and unhealthy shelters made of non-durable materials and lacking water and sanitary facilities. The magnitude of the problem is illustrated by the data on certain cities in table 72. In some cities nearly half of the population are living as squatters or in slums; in Calcutta (1971) the proportion was estimated as two thirds. Moreover, in the urban areas where data are available to show changes over time, the growth of this population segment is higher than the aggregate growth of the cities.

474. In Singapore which, of the developing countries of the ESCAP region, has probably moved furthest towards providing for the housing needs of its population, some 15,000 persons were on the waiting list for renting government-built dwellings in 1975/76. In that year several slum clearance and resettlement schemes were in progress and the public Housing and Development Board built 23,400 new dwelling units.¹⁵⁹

475. The scale of housing needs in rural areas is indicated by available data from a small selection of countries. In India there was an estimated shortage of nearly 12 million rural units at the beginning of the Fifth Five-Year Plan (1974-1979) and a projected requirement of an additional 20 million new dwellings over the five-year period. In Iran in 1974, an estimated 2 million new units were required for rural areas to overcome the housing shortage; in the Philippines, it was calculated in 1970 that 370,000 rural dwellings (9 per cent of households) would need to be added every year to meet the needs; in Sri Lanka, on the basis of the 1971 census, there

was a rural backlog of nearly 570,000 (30 per cent of rural households).¹⁶⁰ By contrast, the 1970 Malaysian Population and Housing Census provided the basis for an estimate that 6 per cent of the rural housing stock in Peninsular Malaysia required replacement.¹⁶¹

476. A high proportion of rural dwellings in the developing ESCAP region lack water supply and sewerage facilities, and serve as shelter for domestic animals as well as humans. Table 73 gives indicators of rural housing quality for six countries of the region.

¹⁵⁹ United Nations Environment Programme, *Asia Report 1977: An Account of the Environment Situation and Activities in Asia and the Pacific* (Bangkok, UNEP Regional Office for Asia and the Pacific, 1978). See also Government of Singapore, *Yearbook of Statistics, 1977/78*, table 8.9.

¹⁶⁰ Data from *Survey of Rural Housing and Related Community Facilities in Developing Countries of the ESCAP Region* (ST/ESCAP/23), pp. 7-8.

¹⁶¹ Government of Malaysia, *Third Malaysia Plan, 1976-1980* (Kuala Lumpur, 1976), p. 330.

Table 72. Developing ESCAP countries and areas:
the growth of slums and squatter settlements

Country or area/city	Year	Urban population		Slum and squatter population		Urban population as percentages of total population
		Number (thousand)	Annual growth rate (%)	Number (thousand)	As percentage of city population	
Afghanistan	1970	1,823	5.5	638	35	11
Kabul (1968)		456	...	100	22	...
Bangladesh	1973	4,816	4.9	2,000	42	6
Dacca		1,700	8.2	300	18	...
Hong Kong	1969	3,617	1.8	600	17	93
India	1971	113,730	3.8	...	...	20
Bombay		6,000	3.6	2,475	45	...
Calcutta		8,000	2.5	5,238	67	...
Indonesia	1972	22,809	4.4	...	...	18
Jakarta		4,576	4.2	1,190	26	...
Pakistan	1971	15,313	4.5	1,400	9	24
Karachi		3,428	5.6	800	23	...
Philippines	1972	13,174	3.9	...	...	32
Manila		4,400	4.0	1,540	35	...
Republic of Korea	1969	11,938	...	...	...	40
Seoul (1974)		4,600	6.7	1,320	29	...
Sri Lanka	1972	3,003	4.2	...	...	22
Colombo		562	...	245	44	...
Thailand	1974	6,607	6.2	...	...	16
Bangkok		4,000	7.5	300-600	8-15	...

Source: United Nations, Department of Economic and Social Affairs, *Global Review of Human Settlements — Statistical Index* (Oxford, Pergamon Press for United Nations, 1976), table 18 (adapted).

Table 73. Selected developing ESCAP countries:
indicators of rural housing quality, early 1970s

Country	Percentage of rural dwellings with			Number of rural households (million)
	Bathrooms	Latrines	Piped water	
India	3	6	...	81.4 (1974)
Indonesia	23	22	...	20.6 (1971)
Malaysia (Peninsular)	4	60	32	1.2 (1970)
Pakistan	7	3	less than 5	8.0 (1973)
Philippines	...	39	18	5.1 (1975)*
Republic of Korea	...	96	3	3.3 (1970)

Sources: *Survey of Rural Housing and Related Community Facilities in Developing Countries of the ESCAP Region* (ST/ESCAP/23), pp. 8-9; *Demographic Yearbook 1976* (United Nations publication, Sales No. E/F.77.XIII.1) and *Statistical Yearbook 1976* (United Nations publication, Sales No. E.F.77.XVII.1); national sources.

Note: * Projection based on 1970 census data.

(b) Policies and perspectives

477. Inadequacies in public housing are related to the definition of needs, which are often gauged according to a set of standards that do not reflect either the living patterns or the means of the poorest. Unnecessarily high requirements for housing standards tend to exaggerate actual needs. Some public construction is carried out to an unnecessarily high standard, the number of new units built is inadequate and their cost is beyond the reach of the poorest.¹⁶² Moreover the poorer families that could afford public housing in urban areas are increasingly having to compete with middle-income household for the dwellings available, as scarce urban land is occupied by expensive housing schemes beyond the means of the large majority.¹⁶³

478. In order to compensate for this inability of the poor to afford housing, governments usually respond by incorporating subsidies into financial policies. Housing is made accessible by subsidized rents and construction costs and by forming funds for housing finance. But the success of these schemes is sometimes limited. With their low and fluctuating incomes, the poor find regular repayments difficult and the rotating funds usually shrink owing to many defaults. Paradoxically, this paternalistic approach through subsidization ends up helping a few at the cost of many.¹⁶⁴ Often the target groups benefit the least as they do not qualify for the subsidy.

479. A fundamental problem underlying public housing programmes in urban and in rural areas is clearly the basic costs of construction. Frequently public funds are not adequate to build dwellings on the scale required at prevailing costs, particularly when national housing agencies can normally only recover a minor part of the capital outlay from rental incomes. In urban areas, land for construction is an increasingly scarce resource, and constant

upward pressures are being exerted on prices. Moreover, the inflationary situation is seriously aggravated when private land is subject to speculative transfers and competing demands for the construction of luxurious dwellings and office space. Hence part of the solution to controlling land values must be the extension of government powers in land ownership and disposal, as well as higher taxation on the gains from land sales which, substantially due to evasion and the power of private vested interests in resisting tax demands, often makes an insignificant contribution to government revenue.¹⁶⁵

480. The rapid price increase in construction materials can also be adduced to explain insufficient growth in public housing programmes. Steep price rises occurred particularly between 1972 and 1975

¹⁶² A study of low-income housing in six cities in developing countries at the turn of the decade indicated that about two thirds of the households in Madras and Ahmedabad (India) could not afford the economic cost of the cheapest available housing. Building costs would have had to be greatly reduced to make public housing more accessible (in the case of Ahmedabad, by as much as 79 per cent, to reach the lowest 10 per cent). See Orville F. Grimes, *Housing for Low-Income Urban Families* (Baltimore, Johns Hopkins University Press for the World Bank, 1976).

¹⁶³ For example, *Third Malaysia Plan* (op. cit., p. 333) notes that during the early 1970s:

"...private developers concentrated on the construction of houses for the middle and higher income groups in urban areas. Buoyed by growing demand for housing and the building and property boom..., private developers accelerated construction activities... acute shortages of building materials and skilled labour brought about a spiralling of prices of houses and an increase in rentals. A large proportion of the population was thus unable to purchase their own accommodation or meet the increases in rentals. The lower income groups were particularly affected in this regard."

¹⁶⁴ Shlomo Angel and S. Benjamin, "Seventeen reasons why the squatter problems cannot be solved", *Ekistics*, January 1976, pp. 20-26.

¹⁶⁵ See Orville F. Grimes, *Urban Land and Public Policy: Social Appropriation of Betterment*, International Bank for Reconstruction and Development Staff Working Paper No. 179 (Washington, D.C., World Bank, 1974).

(see table 74) which in the countries for which data are available, were generally greater than increases in the general index. The inflation in costs was most serious in the case of Bangladesh where there was a fivefold rise between 1971 and 1975. The cost factor implies the need to examine the feasibility of downgrading housing norms, as discussed above, and using appropriate building materials.

481. It is becoming increasingly evident in developing countries of the ESCAP region that the public sector's traditional response to meeting housing needs through new construction is proving inadequate and unsatisfactory. When slum and squatter settlements are suppressed, more than the physical infrastructure is being destroyed: whole communities disintegrate, and the alternative accommodation provided for them is frequently at a great distance and far removed from economic and other opportunities. Moreover, the alternatives offered may be financially out of reach or, by their impersonal nature and design, undesirable.

482. These considerations, in addition to those of costs of new public housing and current incapacities to expand the housing stock at sufficient rates to encroach on the backlog, have led several develop-

ing countries of the ESCAP region to adopt alternative low-cost participatory approaches. These alternatives recognize and endorse the ingenuity inherent in the age-old practices of the poor in assembling crude forms of shelter with limited resources, while seeking to preserve and harness community efforts in housing improvements *in situ*.

483. A recent study covering five major cities in the ESCAP region¹⁶⁶ reveals a wide range of alternative forms of public assistance (see table 75) consisting of support for those already housed in private accommodation, and more fundamentally, programmes aimed at improving the lot of squatters.

484. These alternative forms of assistance to squatters consist of encouraging them through various means of financial, material and other (for example, legal) support to upgrade the standard of their settlements through their own efforts. At the least, such assistance takes the form of allocation of permanent sites, and tenure security, but there are examples of much more comprehensive schemes.

¹⁶⁶ S. Angel, "The low-income housing delivery system in Asia" in S. Angel and others, *Proceedings of the Seminar on Low-Income Housing: Technology and Policy* (Bangkok, Asian Institute of Technology, 1978).

Table 74. Selected developing ESCAP countries:
wholesale price indexes of building materials
(1970 = 100)

	1971	1972	1973	1974	1975	1976	1977
<i>Bangladesh</i>							
General	...	240.5	304.4	454.3	337.7	315.8	...
Building materials	108.6	156.1	264.1	482.4	552.2	484.6	...
<i>India</i>							
General	105.6	116.2	139.7	174.9	173.0	176.6	185.6
Building materials	105.7	112.6	127.1	163.2	176.8	179.1	183.8
<i>Iran</i>							
General	107.1	113.2	123.9	144.3	151.9	172.4	197.5
Building materials	98.6	105.6	123.4	155.0	163.1	186.9	234.5
<i>Philippines (Manila)</i>							
General ^a	117.1	131.2	150.3	210.0	231.1	250.7	267.6
Building materials ^a	117.6	129.4	165.7	269.8	275.9	290.0	325.0
<i>Republic of Korea</i>							
General	108.6	123.8	132.4	188.2	238.0	266.8	290.8
Building materials	101.1	110.2	124.2	172.1	207.0	220.5	242.2
<i>Thailand</i>							
General	100.3	108.2	132.9	171.3	177.6	184.7	194.5
Building materials	97.2	101.0	135.7	170.4	189.3	192.0	201.6

Sources: United Nations, *Monthly Bulletin of Statistics*, July 1978; *Statistical Pocket Book of Bangladesh*, 1978; *Philippines Statistical Bulletin*, December 1977; Reserve Bank of India, *Report on Currency and Finance 1976-77*, vol II; Bank Markazi Iran, *Annual Report 2536* (1977).

Note: ^a Retail price index.

Table 75. Five Asian cities: forms of public assistance for low-income housing

1. <i>Squatters assistance</i>	(a) Squatter improvement	(i) Land subdivision (M)
		(ii) Neighbourhood amenities (B, C, J, M)
		(iii) Construction loans (B)
	(b) Squatter resettlement	(i) Sites and services (B, C, D, J, M)
		(ii) Core housing (M)
	(c) Temporary sites (B)	
2. <i>Assistance to private housing</i>	(a) Assistance to rental housing	(i) Neighbourhood amenities (C, J)
		(ii) Transfer of ownership scheme (C)
		(iii) Structural repairs (B)
		(iv) Quarters allowance (D)
	(b) Assistance to owned housing	(i) Neighbourhood amenities (J)
		(ii) Aided self-help houses (C)
		(iii) Rental of abandoned properties by Government (D)
		(iv) House construction loans (C, J)

Source: Based on S. Angel, "The low-income housing delivery system in Asia" in S. Angel and others, *Proceedings of the Seminar on Low-Income Housing: Technology and Policy* (Bangkok, Asian Institute of Technology, 1978).

Notes: B: Bombay; C: Colombo; D: Dacca; J: Jakarta; M: Manila.

485. Indonesia has embarked on programmes of *kampung* (slum village)¹⁶⁷ improvement in Jakarta, Bandung and Surabaya. In Jakarta annual assistance averaged \$US 3.1 million during the period 1969-1974 for what is officially described as "improvement of existing areas with least disturbance" in 87 *kampung* settlements affecting some 1.2 million people, implying very low costs per head.¹⁶⁸ The programme aims mainly at providing common services and facilities that the slum-dwellers themselves cannot construct, and acquiring more land. In each *kampung*, the inhabitants are encouraged to upgrade the standards of their housing through their communal efforts. In 1975 and 1976 the programme was extended to a further 77 *kampung* and 800,000 inhabitants, with assistance from the World Bank. In Bandung and Surabaya, a three-year project was begun in 1976 for integrated slum improvement; while preserving existing structures, it involves the use of technical innovations based as far as possible on renewable resources: rain-water recycling, use of solar energy for heating and bio-gas for cooking. Other aspects of the project involve nutrition, health and family planning programmes and adult education.

486. The Philippines has also adopted an integrated approach in its programme to improve the slums of Manila, in which an estimated 800,000 people live. The "Tondo Foreshore Upgrading" project is the largest and envisages the provision of basic

infrastructure, health, education and welfare services, house improvement materials, loans for small industrial establishments, and additional land with services for residential, commercial and industrial use. The 180-hectare area will ultimately provide accommodation for a population of 160,000.¹⁶⁹ The project, supported by the United Nations Environment Programme, is designed to foster communal participation in its execution and encourage greater self-sufficiency through the use of non-conventional energy sources, water conservation and waste recycling.

487. Urban programmes, particularly in primate cities where the deficit is growing fastest, tend to receive highest priority in housing policies. In absolute terms, however, the scale of needs is substantially greater in rural areas and certain countries have initiated successful self-help programmes in order to upgrade the quality of housing in the countryside.

¹⁶⁷ In the urban context *kampung* referred originally to settlements of rural people engaged in farming and selling their surpluses to the cities. Cities have grown up around a large number of these village-type settlements which lack basic infrastructure and communal facilities.

¹⁶⁸ Jakarta Capital City Government, *Jakarta's Kampung Improvement Programme* (Jakarta, 1976).

¹⁶⁹ National Housing Authority, "A report for the Workshop on an Integrated Approach for Improvement of Slums and Marginal Human Settlements" (Manila, Government of the Republic of Philippines, 1977) (mimeo.).

488. In the Indian state of Kerala, the rural housing project was in part a response to the plight of poor, previously landless, rural families who, having acquired land in tenancy reforms, did not have the means to construct their own dwelling on it. In the first phase of the scheme 100 houses were constructed in each of 1,000 village (*panchayat*), with the state and central governments contributing part of the finance as well as the necessary engineering personnel for the civil works, each beneficiary and the community contributing the balance in cash and in labour. Each house was estimated to require a direct input of manpower of 70 man-days, and an indirect input of 30 man-days. In each location, well-digging, carpentry, brick-making and metal-working were undertaken with voluntary labour.

489. The Indonesian experience in Java is an example of a project that started in a small way but became quickly adapted on a wide scale. The scheme began in the remote village of Kendel in Central Java (Boyolali regency) in 1971, where 50 houses were chosen for improvement. Houseowners were organized into co-operative teams of eight, and trained and supervised (under the auspices of the Building Information Centre and the University of Gajah Mada in Yogyakarta), to carry out the work of rehabilitation. The following year five more villages were selected and the project has now spread to eight of the 28 regencies in Central Java.

490. The first semi-rural housing project in Sri Lanka began in 1972 in Hendala, a suburb of Colombo, and consisted of the construction of 45 dwellings on an area of three acres. The houses took less than a year to build and labour was contributed by the participants and their families and friends. Finance was raised from the voluntary contributions of civic and other organizations. When completed the occupants began paying rent of just over \$US 3 per month for a 20-year period to cover the cost of materials and overheads. Subsequently, similar projects have been planned and executed in other areas.

C. INCOME DISTRIBUTION AND POVERTY

1. Patterns of inequality

491. The most commonly employed measure of over-all inequality is the Gini coefficient, generally calculated with respect to households over a complete range of incomes. The concept has great theoretical appeal as a comprehensive index of concentration lending itself to international and temporal comparisons. The apparent sophistication of the Gini coefficient is often undermined by the deficiencies in the available data. Moreover it is doubtful whether the information provided by a single-valued index has pragmatic value. The focus

of attention has moved towards measurement of the scale and changing incidence of absolute poverty (using the much older concept of the poverty line), and the patterns of deprivation, for example in respect of regional and urban/rural inequalities reflecting increasing concern of policy for target groups of the poor.

492. Despite the palpable short-comings of Gini coefficient estimates, it is necessary to review the data available in this form. Table 76 assembles some of the most recent estimates of the value of Gini coefficients for several countries, and compares them with calculations made for individual years during the 1960s. In the case of the Republic of Korea the estimates are derived from several sources but the wide ranges obtained, particularly for 1966 and 1971, raise doubts about the usefulness of these calculations. When changes over time are considered, there is a remarkable contrast between the surprisingly stable distribution pattern indicated for the Philippines and the apparently large improvement in Sri Lanka over a similar period. The second instance, which is of great potential significance, has been the subject of much discussion, for the increasingly egalitarian income trend stands in strong contrast to data on household consumption patterns derived from the same source.¹⁷⁰ Unless such conflicts of evidence are resolved they confirm the inadequacy of dependence on single over-all measures of distribution which, if not strongly qualified, can seriously mislead development planners not merely in static evaluations, but also in gauging the consequences of policies over time.

493. Few estimates of Gini coefficients are available for recent years, and especially those that spanned the period of rapid inflation during the first half of this decade. It is highly probable that important redistributive effects flowed from the increase in consumer prices;¹⁷¹ however, price movements themselves create serious ambiguities in the measurement of real income changes, and make it even harder to form conclusions on the basis of statistical indicators of inequality.

¹⁷⁰ E. L. H. Lee, "Rural poverty in Sri Lanka, 1963-1973", International Labour Organisation, *Poverty and Landlessness in Rural Asia* (Geneva, 1977); the sources of data are the Central Bank of Ceylon, *Survey of Ceylon's Consumer Finances*, 1963 and 1973 (Colombo).

¹⁷¹ See in this connexion, *Economic and Social Survey of Asia and the Pacific*, 1977: The International Economic Crises and Developing Asia and the Pacific (United Nations publication, Sales No. E.78.II.F.1), part 2, chapter II (1978); and for Thailand, Oey Astra Meesook, "The impact of price increases on different income groups", Discussion Paper Series, No. 48 (Bangkok, Thammasat University, 1975) (mimeo.).

Table 76. Selected developing ESCAP countries: basic measures of income inequality

Country	Year	Gini coefficient	Poverty incidence		
			Percentage of population		Definition of poverty line
			K		K: Kravis' conversion. ^a
			(i)	(ii)	
Bangladesh ^b	1963/64		40	5	(i) Income level to ensure 90 per cent of "recommended" calorie intake; (ii) Income level to ensure 80 per cent of "recommended" calorie intake.
	1968/69		76	25	
	1973/74		74	42	
	1975 (1st quarter)		62	41	
	1975		59		
India ^b	1960/61			42.0	Rs 15 per person per month at 1960/61 prices (weighted average by states).
	1964/65			50.4	
	1966/67			57.4	
	1968/69	0.31 ^c		53.5	
	1970/71	0.29 ^c		49.1	
	1973/74	0.28 ^c		47.6	
	1975		41		
Indonesia	1969/70	0.35		50	Annual <i>per capita</i> income equivalent to 240 kg and 360 kg of rice in rural and urban areas respectively.
	1973	0.41			
	1975		57		
	1976	0.35			
Malaysia (Peninsular)	1957/58	0.42	(i)	(ii)	(i) \$M 25 <i>per capita</i> per month (current prices); (ii) Income level to ensure 95 per cent of required calorie intake.
	1967/68	0.53			
	1969	0.55			
	1970	0.50	36	40	
	1975		14		
Pakistan ^b	1963/64		(i)	(ii)	(i) (ii) (iii) Income levels to ensure 95, 92 and 90 per cent of "recommended" calorie intake respectively.
	1968/69		72	54	
	1970/71		64	53	
	1975		74	55	
			45		
Philippines	1961	0.49	K		Minimum cost of basket of food required to meet recommended nutrient requirements, based on prices in selected centres.
	1965	0.50			
	1971	0.50		69.9	
	1975	0.45 ^d	32		
Republic of Korea	1965	0.30(B)			
	1966	0.27-0.34(A)			
	1967	0.32(B)			
	1968	0.32(B)			
	1969	0.32(B)			
	1970	0.37-0.38(A) 0.30(B)			
	1971	0.27-0.36(A) 0.32(B)			
	1975		3		
Sri Lanka	1953	0.50		72	Rs 200 per household per month.
	1963	0.49		40	
	1969/70				
	1973	0.40			
	1975		7		

Table 76 (continued)

Country	Year	Gini coefficient	Poverty incidence	
			Percentage of population	Definition of poverty line
Singapore	1966	0.48		
	1973	0.46		
			(i)	(ii)
Thailand	1962/63	0.41		52
	1968/69	0.47	24	34
	1971-1973	0.50		
	1975/76		38	25
				(i) Baht 1,000 per capita per year; (ii) Baht 150 per capita per month at 1975/76 prices.

Sources: Bangladesh: A. Rahman Khan, "Poverty and inequality in rural Bangladesh", International Labour Organisation, *Poverty and Landlessness in Rural Asia* (Geneva, 1977). India: Montek S. Ahluwalia, "Rural poverty and agricultural performance in India", *Journal of Development Studies* (London), vol. 14, No. 3, April 1978. Indonesia: S. Gupta, *A Model for Income Distribution, Employment and Growth: A Case Study for Indonesia* (Baltimore and London, Johns Hopkins University, 1977); D.Y. King and P.D. Weldon, "Income distribution and levels of living in Java, 1963-1970", *Economic Development and Cultural Change*, vol. 25, No. 24, July 1977, pp. 699-711. R.M. Sundrum, "Income Distribution, 1970-1976" *Bulletin of Indonesian Economic Studies*, (Canberra), vol. XV, No. 1, March 1979. Iran: M.H. Pesaran, *Income Distribution and Its Major Determinants in Iran* (Tehran, Bank Markazi Iran, 1975). Malaysia: Lim Lin Lean, "The pattern of income distribution in West Malaysia, 1957-1970", World Employment Programme Research Working Paper (Geneva, International Labour Organisation, 1974) (mimeo.); Nanak C. Kakwani, "Measurement of poverty and negative income tax", *Australian Economic Papers* (Flinders University of South Australia), vol. 16, No. 29, December 1977. Pakistan: S.M. Naseem, "Rural poverty and landlessness in Pakistan", International Labour Organisation, *Poverty and Landlessness in Rural Asia*, op. cit. Philippines: Editha Tan, "Income inequality in the Philippines", Jose Encarnacion and others, *Philippines Economic Problems in Perspective* (Quezon City, University of the Philippines, 1976); Harry T. Oshima and Brunos Barros, "Trends in growth and distribution of income in selected Asian countries", *The Philippine Economic Journal* (Manila), vol. XV, No. 3, 1976. Republic of Korea: source (A): J. Skolka and M. Garzuel, "Income distribution by size, development, and the structure of the economy: a case study for the Republic of Korea", World Employment Programme Research Working Paper (Geneva, International Labour Organisation, 1978) (mimeo.); source (B): D.Y. Kim and Y.I. Chung, "Overtime changes of the size-distribution of household income in Korea (1963-1971)" in *Papers and Proceedings on the Income Distribution in South Korea* (Tokyo, Hitotsubashi University, 1976). Singapore: V.V. Bhanoji Rao and M.K. Ramakrishnan, "Income distribution in Singapore 1966-1973", *Malayan Economic Review* (Singapore), vol. XXI, No. 2, 1976. Sri Lanka: Central Bank of Ceylon, *Report of the Survey of Ceylon's Consumer Finances, 1953, 1963 and 1973* (Colombo, 1954, 1964 and 1974), Lal Jayawardena, "Sri Lanka—country experience", H. Chenery and others, *Redistribution with Growth* (London, Oxford University Press, 1974). Thailand: Somluckrat Wattanavitukul, "Income distribution in Thailand" in Harry T. Oshima and Toshiyuki Mizoguchi, *Income Distribution by Sectors and over Time in East and Southeast Asian Countries* (Tokyo, Hitotsubashi University, 1978); National Statistical Office, *Household Income and Expenditure Survey, 1962/63 and Socio-Economic Surveys, 1968/69 and 1975/76*.

Notes: ^a K (Kravis' conversion) is the poverty line corresponding to the income level of the 40th percentile in India which is estimated as the level required to achieve a calorie intake of about 2,150 per person per day. This level is applied internationally using the "Kravis' conversion" to allow for differences in purchasing power among countries. Source of data: A. Binnendijk, "Socio-economic indicators of basic needs, progress and commitment for 92 developing countries" (Washington, D.C., United States Agency for International Development, 1978) (draft; mimeo.).

^b Rural areas only.

^c Based on consumption data.

^d Provisional estimate.

494. This problem applies equally forcefully to measurements of absolute poverty, which are also included for convenience in table 76. Poverty lines are an attempt to establish realistic levels of real purchasing power below which households are unable to satisfy even their basic subsistence needs (often defined only in terms of food, although this item does not usually represent more than four fifths of the consumption expenditure of even the poorest families). However, the accuracy of temporal comparisons is seriously compromised by the differential price changes among subsistence foods and the switching of demand among items, both marketed and non-marketed.¹⁷² Also, given the subjective manner in which poverty-line criteria are designated, they can scarcely be expected to yield meaningful

comparisons among countries. (The "Kravis' conversion" is an attempt to make intercountry comparisons more meaningful by fixing a standard in one country (India) as the norm and relating poverty levels in other countries to it through purchasing power adjustments; calculations for a selection of developing countries are included in table 76).

¹⁷² This problem is well illustrated in the case of Indonesia. The linking of the poverty line to the price of given quantities of rice alone (e.g., D. Y. King and P. D. Weldon, "Income distribution and levels of living in Java, 1963-1970", *Economic Development and Cultural Change*, vol. 25, No. 24, July 1977, pp. 699-711; Sajogyo, "Garis Kemiskinan dan Kebutuhan Minimum Pangan" ("The poverty line and minimum food requirement"), *Kompas* (Jakarta), 18 November 1977) probably exaggerated the apparent increase in poverty during a period when the price of rice rose relatively faster than alternative foods.

495. Another inadequacy of some poverty line data is that they conceal changes in patterns of distribution below the cut-off levels, which might be important. This problem can be overcome, at least in part if, as in the case of Bangladesh and Pakistan, data are available with respect to more than one poverty threshold. Over a period of more than 10 years in Bangladesh, there would appear to have been a serious general worsening of the degree of poverty as measured by food purchasing power, but an apparent check to the trend after 1973/74. The more ominous aspect of the pattern, however, is the substantial increase in the proportion of those described as "extremely poor", that is, unable to satisfy even 80 per cent of their nutritional needs. In Pakistan, the distributional pattern has proved to be more stable over time, but in each of the years cited there is again a wide disparity in levels among those in the poorest categories.¹⁷³

496. With reliable data, a contrast of poverty line and Gini coefficient estimates over time would provide interesting conclusions and show, for example, the extent to which changes in the distribution index are attributable to rising or falling proportions of those in absolute poverty. Data for India and Sri Lanka in years for which both sets of estimates are available, appear to indicate that increasing household income equality has been accompanied by reductions in the numbers of those in absolute poverty. The money income basis of these figures, however, renders them vulnerable to the ambiguities of adjustment to real changes over time. As is shown below in the case of Sri Lanka, these distortions can be serious and provide a further warning against reliance on basic measurements of inequality by income categories.

497. To assess the dimensions of poverty in income terms it is necessary to have complementary information on regional, urban/rural, and major sectoral patterns. Again it is difficult to sketch an accurate picture of the incidence of poverty since data are patchy and the definitions of administrative regions and urban areas are arbitrary with respect to distribution patterns. Nevertheless some indications can be obtained for certain countries by reviewing a selection of the most recent evidence.

498. In Indonesia, marked regional income disparities are confirmed by data for 1976, which are also broken down by rural and urban areas.¹⁷⁴ Taking *per capita* consumption expenditures of Rp 3,000 per month as the threshold, the proportion of those in poverty in urban areas was 18.7 per cent for the country as a whole, but the range varied from 7.5 per cent in Jakarta to 33.4 per cent in Central Java; in rural areas, the incidence of poverty is much

higher at 50.2 per cent over-all, with a range represented by Kalimantan at one extreme (17.3 per cent) and Central and East Java at the other (67.8 and 66.3 per cent respectively). Mere figures of incidence between regions, however, are misleading unless their respective population weights are taken into account. The same study determined that between 70 and 75 per cent of the poor in Indonesia are to be found in urban (mainly other than Jakarta) and rural Java. The findings of more than one survey¹⁷⁵ have nevertheless indicated that, particularly in the urban areas of Java, there was a considerable diminution in the numbers of those in poverty between 1970 and 1976. By the latter year, the incidence of poverty in rural Java (accounting for approximately 60 per cent of the "destitute" in Indonesia) was still significantly higher than in the rest of the country, but according to Leiserson, the proportion of the poor in the urban areas of Java was slightly lower than elsewhere. Over the six-year period, reductions in the incidence of poverty have apparently led to a decline in the absolute numbers of the poor in Indonesia.

499. This reduction of poverty in Indonesia has occurred during a period of comparatively rapid economic expansion. However, studies have also pointed to evidence which appears to show that over-all inequalities in income in the country have continued to grow: the urban-rural disparity has widened.¹⁷⁶ and within the urban area, the benefits of rising productivity would seem to have accrued more to profits and property incomes than to real wages.

¹⁷³ More rigorous methods have been devised of measuring the distribution of incomes below poverty lines. An index (from 0 to 1) proposed by A. K. Sen takes into account the mean consumption level of those below the poverty line and the extent of inequality among the poor (see A. K. Sen, "Poverty, inequality, unemployment: some conceptual issues in measurement", *Economic and Political Weekly* (Bombay) August 1973). Other measures have been proposed by Sudhir Anand in "The size distribution of income in Malaysia", parts I and II (Washington, International Bank for Reconstruction and Development, 1973 (part I) and 1974 (part II) (mimeo.)). However, the usefulness of these methods depends crucially on the availability of adequately detailed and reliable data.

¹⁷⁴ M. Leiserson and others, "Employment and income distribution in Indonesia," Studies in Employment and Rural Development No. 51 (Washington, D.C., International Bank for Reconstruction and Development, 1978) (mimeo.).

¹⁷⁵ *Ibid.*; Sajogyo, *op. cit.*

¹⁷⁶ In 1970 it was estimated that urban income was 43 per cent higher than rural, but by 1976 this disparity had risen to 84 per cent; however, these calculations take no account of differential rates of price increase; R. M. Sundrum, "Income distribution, 1970-1976"; *Bulletin of Indonesian Economic Studies* (Canberra), vol. XV; No. 1, March 1979.

500. In India quite a substantial amount of evidence on distribution has also come to light in recent years, mainly pertaining to the rural sector. One study¹⁷⁷ has reviewed the data on rural distribution provided by the National Sample Surveys of consumption over a period of 18 years (1956/57 and 1973/74) and demonstrates clearly that the identification of a "trend" solely on the basis of two or three well-spaced reference years can be highly deceptive.¹⁷⁸ Using Ahluwalia's more complete data for the country as a whole, a declining incidence of poverty in the late 1950s gave way during 1960/61 to 1967/68 to an unequivocally steady rise, which was reversed in the ensuing six years. More significant are the results over the whole period for individual states. Using the Sen poverty index¹⁷⁹ the study determined that there was no significant trend in the incidence of poverty for most states, but that Assam and West Bengal showed a trend increase, while Andhra Pradesh and Tamil Nadu showed a decline. In 1973/74 there was a very wide variation in poverty incidence with the highest figure (using the Sen index) being recorded in West Bengal (0.31), and the lowest in Punjab and Haryana (0.06). The implications of these findings are profound. As might be expected, poverty incidence would appear to be linked to agricultural performance, when measured by net product per rural person for the country as a whole. However, at the level of individual states the relationship is less clear-cut; in some cases rapid agricultural growth was not accompanied by a decline in poverty incidence, suggesting that other factors were at work tending to increase poverty in the long-term.

501. In the Republic of Korea, a rather egalitarian structure of asset ownership (particularly of land) preceded the rapid economic expansion that has occurred since the early 1960s. Many estimates of over-all inequality have been made, and most indicate values of the Gini coefficient below 0.40 (see table 76). Unfortunately, these estimates are subject to the usual qualifications of statistical uncertainty, and little reliable comparable data are available over a period of several years to determine whether the country's rapid growth has been accompanied by a narrowing or widening of income differentials over-all. Data on regional patterns is also sparse; at the top end of the income scale, the city-provinces of Seoul and Pusan, which together account for about 30 per cent of the population, have acted as highly magnetic growth poles and determined the strong northwest/southeast configuration of industrial development. The extension of transport infrastructure, moreover, may by increasing labour mobility have exacerbated rather than attenuated this geographical bias which is akin to an urban/rural disparity. Household income data

have been adduced to claim a narrowing in the differential between urban and rural areas¹⁸⁰ and it seems certain that improving agricultural terms of trade and the beneficial effects of the *Saemaul Undong* Movement have helped to boost rural incomes since the late 1960s, leading to a consequent reduction in rural poverty.¹⁸¹ Whether the urban/rural income differential has diminished, however, is more open to doubt. The income data usually quoted exclude the earnings of near-landless agricultural families (with less than 0.1 hectares) on one hand, and leave out of account urban proprietor incomes on the other, whose increase is claimed to have caused a widening of income distribution over-all.¹⁸² Other studies — e.g., of widening intersectoral differences in value added per worker and relative rural inequality¹⁸³ — have also revealed tendencies for incomes to become more unequal. Yet in contrast with the experience of other developing countries, there is no cited evidence of a serious widening of income differentials accompanying rapid economic growth. In recent years, moreover, rising real incomes in rural areas appear to have been widely diffused, and the numbers of those in the poorest category have almost certainly been falling.

502. Most of the reliable evidence pertaining to the patterns of income distribution in Peninsular Malaysia has been derived from the Post Enumeration Survey conducted in 1970.¹⁸⁴ Based on these data,

¹⁷⁷ Montek S. Ahluwalia, "Rural poverty and agricultural performance in India", *Journal of Development Studies* (London), vol. 14, No. 3, April 1978.

¹⁷⁸ The data on poverty incidence for rural India in table 76 illustrate this danger to some degree.

¹⁷⁹ See foot-note 173.

¹⁸⁰ See for example Parvez Hasan, *Korea: Problems and Issues in a Rapidly Growing Economy* (Baltimore and London, Johns Hopkins University Press, 1976).

¹⁸¹ E.L.H. Lee, "Egalitarian peasant farming and rural development: the case of South Korea", World Employment Programme Research Working Paper (Geneva, International Labour Organization, 1978).

¹⁸² Harry T. Oshima and Brunos Barros, "Trends in growth and distribution of income in selected Asian countries", *The Philippine Economic Journal* (Manila), vol. XV, No. 3, 1976.

¹⁸³ P.W. Kuznets, *Economic Growth and Structure in the Republic of Korea* (New Haven and London, Yale University Press, 1977), and D.R. Snodgrass, "Education and economic inequality in Korea" (Discussion Paper No. 23), Harvard Institute for International Development, February 1977. Quoted in E.L.H. Lee, *op. cit.*

¹⁸⁴ This Survey covered approximately 135,000 individuals, or about 1.5 per cent of the total population. Data derived from the Post Enumeration Survey, 1970, have been published in Government of Malaysia, Treasury, *Economic Report 1973/74* (Kuala Lumpur, 1973), p. 63 and *ibid.*, 1974/75 (1974), pp. 84-85, and in Malaysia, *Mid-term Review of the Second Malaysia Plan, 1971-1975* (Kuala Lumpur, 1973), pp. 2-5.

calculations of poverty incidence¹⁸⁵ using the criterion of \$M 25 per *capita per month*, average 36.4 per cent for Peninsular Malaysia as a whole. However, there are wide variations in the proportion among states, from 19.0 per cent in Selangor, the largest and a highly urbanized state, to 54.6 per cent in Trengganu, 58.7 per cent in Perlis and 65.2 per cent in Kelantan, which are much smaller in population and predominantly rural. There is also a striking inequality as between urban and rural inhabitants: poverty incidence among urban dwellers (accounting for 28.3 per cent of the population) is 15.7 per cent, but in rural areas the figure is as high as 44.6 per cent. Thus, nearly 90 per cent of all poverty is concentrated in rural areas. The ethnic dimension of income inequality is also important in Peninsular Malaysia, the estimated incidence varying from 14.7 per cent for Chinese (with over a third of the population) up to 51.4 per cent for Malays (who make up about half the population).

503. The only comprehensive data with which the 1970 distribution may be compared derive from the Household Budget Survey of 1957/58.¹⁸⁶ Despite serious deficiencies in the data for 1957/58, at least one study¹⁸⁷ has found evidence of trends in the pattern of income distribution. Adjusted estimates of the total Gini coefficients for 1957/58 and 1970 (0.408 and 0.513) differ slightly from those given in table 76, but both sets of estimates point to a widening of income differences between these two years. The earlier, more equal distribution in the rural sector became more markedly unequal (Gini 0.366 to 0.470) than did the distribution in urban areas (Gini 0.470 to 0.499). Although a comparison of the terminal years of a period of more than a decade can scarcely be taken as the sole basis for the identification of trend, increasing income inequality in the rural areas of Peninsular Malaysia during the 1960s may well have occurred. Though yields increased for both of the major smallholder crops, rice and rubber (quite markedly for the latter), price movements were generally unfavourable and their patterns quite different for the two crops; both had fallen sharply between the late 1950s and 1970. Moreover, the increased yields were unevenly distributed, particularly in rubber, mainly in favour of the larger holdings. Comparable income distributional data are not available for the period since 1970, when both prices (beginning in 1972) and government policies have worked in favour of the incomes of rice farmers and rubber smallholders.

504. Comprehensive data that illustrate patterns of income inequalities in the Philippines have been collected by family income and expenditure surveys for 1957, 1961, 1965, 1971 and 1975; most analyses have excluded the first of these due to inadequate

disaggregation of data, and only preliminary results have been obtained for 1975. Analysis of the results for the three intermediate years has focused on the distribution within and between urban-rural "areas" (defined as Manila, other urban and rural) and within and between regions.¹⁸⁸ This decomposition is of particular interest in view of the observed stability of the over-all Gini coefficient. Over a 10-year period (1961-1971), a widening of the rural income distribution has been offset by a narrowing of urban differences, both in Manila and elsewhere. However, the survey data suffer from a persistent tendency for respondents to understate their incomes. It is possible that the higher incomes earned in Manila have been increasingly underestimated, thereby introducing a bias in the direction of greater equality. The evidence of a widening income distribution in rural areas is consistent with regional variations and seems to be related to the process of agricultural modernization. In the Ilocos and Eastern Visayas regions, estimates of the Gini coefficient rose particularly sharply between 1961 and 1971, accompanying the rapid expansion in commercial agriculture which benefited a rather small minority of farmers. In the latter case also, there was evidence of increasing concentration of land during this period.¹⁸⁹

505. The findings of different analyses of income distribution in Sri Lanka reveal a somewhat conflicting pattern. On one hand, the income data from the Surveys of Consumer Finance conducted in 1963 and 1973 point to a marked narrowing of income differentials: calculations of the Gini coefficient show a decline from 0.49 to 0.40; the proportion of income earned by the top 30 per cent of income receivers falls from 66.7 to 58.4 per cent, and that of the lowest 30 per cent rises from 7.5 to 9.5 per cent.¹⁹⁰ However, there are dangers of relying on

¹⁸⁵ Nanak C. Kakwani, "Measurement of poverty and negative income tax", *Australian Economic Papers* (Flinders University of South Australia) vol. 16, No. 29, December 1977, based on Sudhir Anand, "The size distribution of income in Malaysia—Part I", Development Research Center (Washington, D.C., International Bank for Reconstruction and Development, 1973) (mimeo.).

¹⁸⁶ Federation of Malaya, Department of Statistics, *Household Budget Survey of the Federation of Malaya, 1957-58* (Kuala Lumpur, ca. 1960). These data exclude receipts of loans and gifts and all incomes above \$M 1,000 per month; the sample was exceptionally small (0.25 per cent of all households) and the sampling error necessarily large.

¹⁸⁷ E.L.H. Lee, "Rural poverty in West Malaysia, 1957-1970" in International Labour Organisation, *Poverty and Landlessness in Rural Asia*, op. cit., pp. 185-204.

¹⁸⁸ Mahar Mangahas, "Income inequality in the Philippines: a decomposition analysis", World Employment Programme, Population and Employment Working Paper No. 12 (Geneva, International Labour Office, 1975) (mimeo.).

¹⁸⁹ Harry T. Oshima and Brunos Barros, *loc. cit.*

¹⁹⁰ Central Bank of Ceylon, *Report of the Survey of Ceylon's Consumer Finances, 1953, 1963 and 1973* (Colombo, 1954, 1964 and 1974, respectively).

income data, particularly during periods of rapid inflation, since they may not accurately reflect changes in real purchasing power. One critic of these estimates has shown that average consumption expenditure reported in these same Surveys directly contradict the findings based on incomes. Real consumption (based on 1963 prices) of the lowest quintile fell significantly over the decennial period, while that of the highest rose.¹⁹¹ Unlike consumption expenditure data, patterns of consumption (by income group) of physical quantities of rice, take account of the effects of food subsidies and appear to provide evidence for increasing inequality.¹⁹² These figures are misleading insofar as the poorest consumers compensated for falling *per capita* rice consumption by substitution of other foods, such as wheat flour. The figures are consistent with evidence of continuing serious nutritional insufficiencies. For Sri Lanka as a whole, calorie supply as a percentage of requirements fell from 100 to 94 per cent over a similar time period.¹⁹³

506. It is thus difficult to establish a clear idea of patterns of distribution, particularly with regard to change over time. Food supplies, for which Sri Lanka has been heavily dependent on imports, have contributed a serious perennial cause for concern and, in spite of the (until recently) extensive programme of government assistance, the poorest have suffered most in times of shortage. Yet in other ways which make the country almost unique among market economies of the region, Sri Lanka bears some features of a comparatively egalitarian society with universal free education and health services and average figures of literacy rates, infant mortality, and life expectancy normally found in countries with much higher *per capita* income levels.

507. Several analyses¹⁹⁴ of income distribution in Thailand have pointed to growing over-all inequality since the early 1960s although the tentative nature and compatibility of data preclude definitive judgements. Most studies of distribution trends have tended to concentrate on a comparison of the Household Income and Expenditure Survey of 1962/63 and the Socio-Economic Survey of 1968/69; the potential usefulness of the 1971-1973 Survey is compromised principally by the fact that the data on the major regions of Thailand were gathered at different times over a period spanning three years (1970, 1971 and 1972) which were characterized by accelerating inflation, and important fluctuations in agricultural production.¹⁹⁵ Only preliminary results are available from the Socio-Economic Survey conducted in 1975/76.

508. Between the first two surveys, calculations of the Gini coefficient reveal an increasing divergence of incomes over-all, as well as within rural and

urban areas separately. Poverty-line data, however, show an apparently sharp decrease in the numbers of the poor which, if the rising value of the Gini coefficient is indicative, would suggest a significant widening of income differences among the middle and higher strata. In more recent years estimates of the extent of poverty are conflicting. A poverty line drawn up on the basis of a real income threshold reveals a fall in the proportion of the poor in the country as a whole; however, if poverty is defined to include households in which expenditure exceeds income, then between 1968/69 and 1971-1973, it would appear that the incidence of poverty has risen sharply.

509. In Thailand, an important source of income disparity is the large differentials between regions. Overwhelmingly the poorest regions are the north-east which, supporting about one third of the population, included in 1975/76 approximately one half of those below the (income-determined) poverty line, and the north where a further one fifth of the poorest reside. Sketching a rough profile of poverty in Thailand, the total number of those below the poverty line is estimated to be about 11 million¹⁹⁶ of whom some 8 million are located in the rural north-east and north, another 2 million in the rural areas of other regions, and a little over 1 million in Bangkok and the other urban centres. Significantly, poverty is heavily concentrated in the part of the country characterized by small farms, mainly (if not exclusively) reliant on rain-fed rice crops, and with limited scope for diversification.

¹⁹¹ E.L.H. Lee, "Rural poverty in Sri Lanka", International Labour Organisation, *Rural Poverty and Landlessness in Asia* (Geneva, 1977), table 61, p. 166. Given the greater capacity of the higher income categories to save, as a proxy for incomes the consumption data understate the degree of divergence.

¹⁹² *Ibid.*, table 62, p. 166.

¹⁹³ See table 56 above on "Food and nutrition"; "...approximately 40 per cent (about one million) of the children of Sri Lanka suffer from various degree of protein calorie malnutrition (PCM) especially infants from 12-23 months", Anne Bergeret, "The poverty line", article in *Eco-Development News*, No. 6 (Paris, Maison des Sciences de l'homme, 1978); figures from Priyani Soysa, "Some medical and economic aspects of the prevalence of malnutrition in Sri Lanka", *Bulletin of the National Science Council of Sri Lanka* (Colombo), March 1977.

¹⁹⁴ Among others, Pirom Chantaworn, "Decomposition analysis of the sources of income inequality in Thailand, 1962/63 to 1968/69" (Quezon City, University of the Philippines, 1975) (mimeo.); Somluckrat Wattanavitukul, "Income distribution in Thailand", *op. cit.*; Oey Astra Meesook, "Income distribution in Thailand," Harry T. Oshima and Toshiyuki Mizoguchi, *Income Distribution by Sectors and over Time in East and Southeast Asian Countries* (Tokyo, Hitotsubashi University, 1978); Harry T. Oshima and Brunos Barros, *op. cit.*

¹⁹⁵ Oey A. Meesook, "Some problems of comparing the 1968/69 and 1971-1973 socio-economic surveys of Thailand" (Washington, D.C., International Bank for Reconstruction and Development, 1977) (mimeo.).

¹⁹⁶ Communication from the National Economic and Social Development Board, Bangkok, Thailand.

510. It may be said in conclusion that the above review permits some broad assessments of poverty patterns in a selection of developing countries of the ESCAP region. But the many imperfections of data and the somewhat arbitrary treatment of the different aspects of income distribution, determined by the nature of the results of the available studies for each country, highlight the urgent need for improvements in the definition, coverage and frequency of household surveys. Inaccurate or misleading conclusions of such surveys can colour the evaluation and orientation of policies in an area which has far-reaching consequences for the design of development strategies and, clearly, from an increasing concern with the plight of the poorest follows the need for more accurate information on the profile of poverty, with respect to locational, hierarchical, ethnic and other characteristics of poverty incidence.

2. Issues and policies

511. The conventional growth doctrine, with its emphasis on the key objective of output expansion through capital accumulation, implicitly assumes that greater income equality reduces the aggregate propensity to save, retards capital formation and detracts from growth performance. A belief in the mutual exclusiveness of saving and consumption and the increasing evidence for the failure of the benefits of growth to trickle down to the poor, have encouraged the conclusion that widening income disparities are somehow an inevitable consequence of the development process. The doctrine is associated with certain basic tenets of rapid industrialization and agricultural modernization, which stress high yields from capital-intensive processes. The nurturing of modern capital-intensive enclaves in the industrial sector providing the benefits of high profits and wage employment for relatively few, and a pattern of agricultural development favouring large farmers who are in a position to avail themselves of the technological inputs that can most rapidly raise the productivity of land, are processes conducive to growing income disparities. Moreover, the paradigm of growth through capital-intensive production serves to relegate policies of redistribution mainly to a kind of *ex-post facto* income adjustment by means of the fiscal system.

512. If such a description is a parody of the prevailing development pattern in the developing countries of the ESCAP region it is by no means entirely unfamiliar. However, the influence of this conventional doctrine on development planners in the ESCAP region is clearly waning, particularly insofar as it appears to endorse the contention that widening income disparities are somehow an inevitable accompaniment of the development process and

that policies of redistribution should consist mainly of fiscal adjustments. It has become increasingly realized that fiscal policies in the developing countries of the ESCAP region, although ostensibly designed in part to correct gross income disparities as well as to respond to the requirement of Governments to exert control and guidance over their economies, have generally failed to have a redistributive impact. This failure, moreover, cannot simply be accounted for by the conflicts inherent in the dual role of public finance.¹⁹⁷

513. In a study of central taxation in India covering the years 1953/54, 1963/64 and 1973/74, it was concluded that:

"While the system of central taxation has been fairly successful in raising resources needed for financing the growing expenditures of the government of India, it cannot be credited with any noticeable degree of effectiveness in reducing economic inequalities in the country . . . the system of direct taxation has failed to mobilize a growing proportion of the income which has accrued to the rich."¹⁹⁸

Some of the reasons for the ineffectiveness are explicitly outlined in a study of the impact of both taxation and government spending in the Philippines:

". . . there has been a heavy reliance on indirect taxes which are inherently regressive. The progressive taxes have been inefficiently collected, partly because of the small staffing of the Bureau of Internal Revenue, partly because of the existence of an agricultural sector which keeps no accounting record."¹⁹⁹

In Iran on the basis of 1971 data, the conclusion has also been drawn that the fiscal system as a whole has had little redistributive impact in favour of the poor.²⁰⁰

¹⁹⁷ For example, investment incentives result in losses of tax revenue which could be used to finance social welfare benefits, and frequently may serve to widen income disparities through encouraging capital-intensive industrial projects from which income benefits are narrowly distributed.

¹⁹⁸ Anand P. Gupta, "The rich, the poor and the taxes they pay in India", WEP Working Paper (Geneva, International Labour Organisation, 1975) (mimeo.).

¹⁹⁹ Editha A. Tan, "Philippine taxation, government spending and income distribution" in Japan Economic Research Center/Council for Asian Manpower Studies, *Income Distribution, Employment and Economic Development in Southeast and East Asia*, (Tokyo, JERC/CAMS, 1975) vol. J.

Most of the data refer to 1971, and thus do not take into account the effects of the tax reforms of 1973 and 1974 which led to substantial increases in tax contributions from private corporations and from export production.

²⁰⁰ Farhad Mehran, "Distributive, benefits from public consumption expenditures among households in Iran", World Employment Programme Working Paper (Geneva, International Labour Organisation, 1977).

Table 77. Selected developing ESCAP countries: budget revenues and expenditures

Country/year	Government revenue (tax and non-tax)						Proportions of total government expenditure (current and capital accounts)							
	As per-centage of GNP	Proportion contributed by					Defence	Education	Health, social welfare		Housing		Food subsidy	
		Foreign trade taxes	Personal income tax	Corporate income tax	Pro-erty tax	Other			Current	Capital	Current	Capital		
Afghanistan														
1972/73	7.6	39.7	4.0	4.4	1.4	50.5	15.8	10.5	...	2.8	...	...	...	...
1977/78	11.0 ^a	41.0	5.6	7.8	3.6	42.0	9.2	6.2	...	2.0	...	...	...	0.8
Bangladesh														
1973/74	5.8	30.1	8.2	0.2	1.4 ^b	60.1	4.6	7.2	3.4	1.9	2.5	...	2.6 ^c	10.6
1977/78	10.6	33.4	7.9	2.2	2.6	53.9	7.9	5.5	2.7	2.1	2.0	...	4.5 ^a	3.4
Burma														
1972/73	9.4	11.5	27.5	10.3 ^d	...	50.7	29.2	15.2	0.7	9.6	0.5	2.9	2.1	...
1976/77	8.3	15.0	28.9	10.6 ^d	...	45.5	25.0	12.4	0.5	9.1	0.3	2.7	1.1	...
India ^e														
1972/73	16.6	13.3	9.7	8.7	1.5 ^b	66.8	18.3	— 14.4 —	—	7.3	—	...	...	...
1976/77	15.2 ^f	12.8	5.5	8.7	1.8 ^b	71.2	17.5	— 15.4 —	—	6.7	—	...	...	...
Indonesia														
1972/73	10.7	19.1	4.4	39.0	0.7	36.8	...	...	...	...	...	...	...	...
1977/78	17.3 ^a	10.8	3.3	60.3	0.9	24.7	...	...	...	...	...	...	...	...
Iran														
1972/73	16.7	14.4	4.0	2.9	0.9	77.8								
1976/77	39.1	6.4	1.5	1.3	0.5	90.3								
Malaysia														
1972	21.4	28.1	— 25.4 ^g —	...	...	46.5	22.9	18.5	2.6	5.4 ^h	0.6	...	0.6	...
1977	24.7	33.1	— 36.5 ^g —	...	...	30.4	21.0	16.7	3.2	4.5 ^h	1.0	...	1.0	...
Nepal														
1972/73	5.5	38.7	— 3.4 ⁱ —	15.3	42.6	7.0	3.4	5.7	1.6	3.2	...	...	...	...
1977/78	10.2 ^a	27.6	— 8.1 ⁱ —	9.6	54.7	3.5	1.5	4.1	1.0	2.4	...	...	...	...
Pakistan ^j														
1972/73	15.9	27.4	8.8	2.6	0.4	61.8	39.9	0.2	...	0.3	...	...	...	8.3
1976/77	16.0	29.0	6.9	1.9	0.2	62.0	25.7	0.4	...	0.2	...	...	...	4.0
Philippines														
1972/73	12.1	35.3	9.5	13.9	...	41.3	14.8	20.6	0.7	5.9 ^k	0.2 ^k	...	...	...
1977 ^l	14.3	23.5	8.8	13.4	...	54.3	14.8	6.6	3.7	6.1 ^k	2.0 ^k	...	...	...
Republic of Korea														
1972	14.1	10.5	18.7	9.8	2.8	58.2	23.0	— 15.6 —	—	5.1	—	— 0.9 —	...	...
1977	17.6	15.5	15.9	10.6	1.2	56.8	31.6	— 16.3 —	—	5.8	—	— 0.5 —	...	...
Sri Lanka ^m														
1971/72	21.5	16.7	— 15.4 —	2.0	65.9	...	...	...	...	...	...	...	...	...
1977	21.3 ^a	17.6	4.5	11.5	1.6	64.8	...	11.0	1.1	5.1	1.7	...	0.9	11.3
Thailand														
1972/73	12.9	28.5	7.4	4.7	...	59.4	22.8	14.4	4.5	4.5	0.7	...	...	...
1977/78	14.3	25.6	6.8	8.7	...	58.9	21.9	15.1	7.0	5.3	0.8	...	...	...

Sources: National sources: Central Banks and Ministries of Finance.

Notes: ^a Preliminary GNP estimate.^b Land revenue tax.^c "Physical planning and housing."^d "Commercial taxes."^e Centre and states.^f GDP.^g Including tin profits tax and development tax.^h Excluding welfare.ⁱ Taxes on "net income and profit."^j Federal government expenditures only.^k Including "labour and welfare."^l From 1977, fiscal year coincides with calendar year; expenditure figures relate to 1976.^m From 1973, fiscal year coincides with calendar year; 1971/72 covers a fifteen month period from 1 October 1971 to 31 December 1972.

514. The broad structure of government revenues for 13 developing countries for selected years is given in table 77. These figures give some qualified intimation of the regressive nature of the fiscal systems. With the exception of Burma and the Republic of Korea, personal income taxes contribute less than one tenth to government revenues, while other sometimes ostensibly progressive levies, such as corporate income and property taxes, are also comparatively unimportant.²⁰¹ In Indonesia, more than 90 per cent of corporate income taxes are derived from oil companies; in practice this revenue represents a rental payment for government-owned natural resources and its distributional impact is neutral. Foreign trade taxes, mainly consisting of levies on imports, are an important source of government revenue in certain countries and are progressive to the extent that they fall on luxury items; export taxes are mainly derived from agricultural commodities, however, and may be borne by large and small producers alike. The category of "other" revenues consists substantially of indirect taxes which are generally regressive due to their frequently heavy dependence on mass-consumption items. Finally, few countries collect wealth or asset taxes which would have potentially important redistributive effects.

515. Regressive tax systems can be compensated for through the impact of the benefits of government spending programmes. In practice, however, the redistributive effects of these may be limited. In the first place, a major part of government spending is channelled into areas such as defence, which in some countries absorbs an important part of recurrent budgetary expenditure (see table 77). Debt servicing and general administrative costs also require important shares. Secondly, certain kinds of public spending may aggravate patterns of inequality; for example, infrastructural investment is most often heavily concentrated in urban areas to the relative neglect of the more populous but less densely populated rural areas. In the third place, even the programmes of education, health and social welfare fail to reach the target groups of the poor although together these expenditures account in some countries (including Burma, India, Malaysia, Republic of Korea and Thailand) for over 20 per cent of total annual government outlays. In the education and health services there is a tendency for resources to be concentrated on the more affluent beneficiaries (higher academic institutions and metropolitan hospitals, for example) while sundry practical considerations actually inhibit the access of the poor to the available facilities.

516. A growing awareness among the developing countries of the region of the inadequacies of public

spending programmes in redressing the needs of the poor, has prompted governments to become more interventionist in selective ways. In most cases, such intervention takes the form of price and wage adjustments, such as food subsidies (which, as table 77 indicates, have figured importantly in the current government spending of south Asian countries) and the fixing of minimum wage-rates. However, minimum wage legislation has an ambiguous influence on redistribution since there is a large proportion of non-wage earners and informal sector employees in the developing countries of the ESCAP region who are not covered and an additional group of possibly a comparable size employed in small establishments for whom enforcement is seldom practicable. In the event, the stipulated minimum often becomes the practical maximum for urban unskilled labour and assumes a redistributive character only when the rate is belatedly raised in periods of rapid inflation.

517. Several countries in recent years have also sought to influence the terms of trade between agriculture and the rest of the economy to provide production incentives and to redistribute income in favour of agricultural producers. The very rapid rise in fertilizer prices that occurred during the period 1974-1975 led to the widespread adoption of subsidies in order to forestall potentially serious declines in the output of foodgrains; subsidies are also supplied directly or indirectly for irrigation water, energy, farm implements and other inputs. The over-riding concern for food production has encouraged governments to intervene in recent years to set minimum procurement prices for foodgrains such as rice, tending to reverse the trend that prevailed during most of the 1960s of keeping output prices depressed.²⁰²

518. The predominant concern in the use of price subsidies has been with levels of production (particularly of food); the impact of such measures on the distribution between urban and rural income recipients has probably been mainly incidental. The figures of table 78 show a general improvement in the relative position of agriculture during the period 1970-1976 as a whole, although in most cases there was a moderate deterioration after 1973 or 1974. The series available provide only a rough proxy for prices received and paid by farmers which are

²⁰¹ In practice successful evasion can reduce the progressiveness of personal income taxes and various exemptions may apply to corporate income tax as part of policies to promote industrial investment.

²⁰² If there are still inhibitions in regard to price supports for agricultural output (particularly food), they reflect the anxieties of governments about the political unpopularity with urban consumers of rising food prices, which in many instances have been in part offset by subsidization.

needed to show the terms of trade between agriculture and the rest of the economy.²⁰³ As indicators of a redistributive tendency, however, such indexes are defective in other ways. Improved internal terms of trade cannot generally be claimed to reflect the relative income situation of small subsistence farmers whose use of technical inputs (subsidized or unsubsidized) is limited and whose participation in the market for agricultural produce may be minimal. Like any other general index, the internal terms of trade for agriculture provide an indication of changes which will be more or less representative, depending on the degree of diversity within the sector and in particular the concentration of incomes from agricultural activity. To the extent that incomes move in the same direction at comparable rates of change, it is permissible to generalize about agricultural incomes vis-à-vis the rest of the economy. In the majority of developing countries of the region where agricultural asset and income distributions are highly unequal, no general indicator can be taken as representative and few conclusions can be drawn about welfare in general within the sector.

519. It is thus debatable whether the working of the tax system and the impact of specific forms of intervention that have the ostensible purpose of halting the erosion of the real incomes of the less favoured groups, have had more than a limited effect in bringing about a more equal income distribution. It is evident that part of the explanation for the ineffectiveness of government policies in this respect

is related to the fact that many of the poor (who in several countries comprise a high proportion of those in rural areas) are left on the periphery of the development process, lacking effective access to the commercial economy, to credit and often to the means of production, as well as being physically remote.

520. Whereas the conventional growth strategy places economic expansion, through the preoccupation with investment in physical capital, at the head of the order of priorities, thus leaving the matter of sharing the economic cake as a concern subordinate to the goal of growth, serious concern for redistributive justice, implies that rather fundamental changes in the emphasis of development strategies are required, away from the narrower preoccupation with the capital accumulation principle.

521. As mentioned above, the conventional doctrine, in its assumption of a trade-off between redistribution and growth, rests on a mechanistic conception of the relationship between consumption and investment. In the practical context in which productive potential is more broadly conceived, the distinction between consumption and investment is far less obvious. It is quite apparent, for example,

²⁰³ As indicated in table 78, the price series are implicit GDP deflators. For the Republic of Korea, prices received and paid by farmers are also available and the contrast between the index so derived with that based on the implicit GDP deflators is instructive, though not necessarily indicative for other countries.

Table 78. Selected developing ESCAP countries: internal terms of trade between agriculture and non-agriculture, 1970-1977
(1970 = 100)

	1971	1972	1973	1974	1975	1976	1977
Bangladesh	83.3	110.8	110.9	113.7	162.0	123.1	
Burma	96.6	102.7	111.4	142.4	148.4	150.1	
India	100.5	111.4	122.4	117.3	118.2	117.0	
Indonesia	89.8	103.0	106.5	94.2	95.8	94.3	
Malaysia	93.5	84.5	109.8	109.0	99.4	107.1	
Nepal	94.3	106.0	95.4	112.2	102.2	92.0	
Pakistan	99.8	100.3	106.9	105.5	99.5	98.7	
Philippines	108.9	105.7	113.3	118.2	117.5	113.9	
Republic of Korea (a)	112.6	114.9	114.0	111.7	120.4	127.4	131.4
(b)	102.5	109.8	112.7	112.2	111.6	110.8	110.2
Sri Lanka	98.5	93.4	107.8	155.1	141.5	135.5	
Thailand	103.5	122.5	143.3	134.0	133.7	130.5	

Sources: International Bank for Reconstruction and Development, Economic Data Sheets 1 (Washington, D.C., April 1978) (mimeo.). Republic of Korea: (a) Bank of Korea, *Economic Statistics Yearbook, 1978*, table 141; (b) Food and Agriculture Organization of the United Nations, *Production Yearbook 1977* (Rome, 1978), table 116.

Notes: Ratio of the implicit price deflator for value added by agriculture divided by the implicit price deflator for value added by all other sectors.
Republic of Korea: (a) on the basis of implicit GDP deflators; (b) on the basis of prices received and paid by farmers.

that increases in the consumption of food and basic services (including health and education) which improve the productive capacities of the poorest groups, and improvements in the living standards of the deprived sections of the population are part of the process of investing in productive potential. The potential of "productive consumption" thus demonstrates the inadequacy of the conception of a conflict between the aims of economic growth and redistribution. What needs to be emphasized is not so much redistribution after growth, as growth through redistribution.

522. It has been recognized that two important sets of conditions need to be fulfilled, however, before the potential inherent in increasing productive consumption can be realized. The first is to ensure that the basic needs of the poor in nutrition, health, education and housing are adequately satisfied. As the analysis of section B above has made clear, much more than piecemeal intervention is required to accomplish this. To judge by recent experience, governments are now fully cognizant of the necessity of fundamental reforms in the delivery systems for public services, involving an important shift away from the remote and paternalistic forms of the past and towards much greater involvement and participation by those whom basic needs programmes are primarily intended to serve.

523. The second, probably more intractable, condition consists in ensuring much wider access by those currently on the margin of the productive process to the means of production. Given the concentration of the poor in rural areas, and the continuing dependence of most developing countries of the ESCAP region on agriculture, this condition places great urgency on the redistribution of the most basic of productive resources. Several countries have undertaken land reform programmes in recent years, but these efforts need to be seen against the backdrop of serious inequality in landholding and in some cases rising numbers of the landless.

524. In Bangladesh, figures derived from censuses yield estimates of a 40 per cent rise in the numbers of landless labourers between 1961 and 1974, reaching a proportion of a quarter of the economically active agricultural population. In 1977 it was estimated that the proportion of rural households with less than half an acre of land (approximately 0.2 hectares) was 48 per cent.²⁰⁴ In India, figures for 1971/72 indicate that nearly 10 per cent of rural households were landless, although this represents

an absolute decline in numbers compared with 10 years previously from 7.6 to 6.7 millions.²⁰⁵ In Indonesia, the landless and near landless²⁰⁶ are estimated by the 1973 Agricultural Census to comprise about 12 per cent of farmers in the country as a whole, but in Java case studies indicate that nearly a third of rural households do not own land. Some 53 per cent of rural households in the Terai (lowlands) of Nepal own less than 0.7 hectare and as high as 92 per cent own less than 1 hectare in the hill regions, according to contemporary sources.²⁰⁷

525. A review of the land reform programmes of five countries during the 1970s suggests that their potential scope for making a significant impact on patterns of landholding is rather limited. In India, legislation governing land ceiling stipulations during the 1970s has resulted in the effective redistribution of half a million hectares of land out of 1.7 million declared as surplus;²⁰⁸ this figure represents only 0.3 per cent of the total cultivated area. In Pakistan, the reform of 1972 set land ceilings as high as 60 hectares for irrigated land and 120 for unirrigated; in the former case the potential coverage is equivalent to 9 per cent of the cultivated area.²⁰⁹ Also in 1972, legislation was passed in the Philippines, fixing an upper limit on rice and maize land of 24 hectares, estimated to cover potentially 16 per cent of the cultivated area.²¹⁰ The land reform in Sri Lanka in 1972 stipulated ceilings of 25 acres (ca. 10 hectares) for rice land and 50 acres (ca. 20 hectares) for other land; in the former case, potential coverage has been estimated at only 2.3 per cent of the cultivated area. Finally, in Thailand, the reform of 1975 fixed a ceiling of 18 hectares which has been estimated to affect about 11 per cent of the cultivated land in the central provinces where most of the larger holdings are concentrated.

²⁰⁴ P.T. Jannuzi and J.T. Peach, "Report on the hierarchy of interests in land in Bangladesh" (Dacca, United States Agency for International Development, 1977).

²⁰⁵ Government of India, "FAO World Conference on Agrarian Reform and Rural Development: country review paper" (New Delhi, Ministry of Agriculture and Irrigation, 1978) (mimeo.).

²⁰⁶ Defined as operating less than 0.05 hectare of wet land or 0.1 hectare of dry land.

²⁰⁷ Agricultural Projects Services Centre, "Agrarian reform and rural development in Nepal" (Kathmandu, 1978) (mimeo.).

²⁰⁸ Government of India, *op. cit.*, p. 65.

²⁰⁹ Z.M. Ahmad, "Rural employment and land reform policies in Asia, with particular reference to Pakistan, the Philippines and Thailand," World Employment Programme Working Paper (Geneva, International Labour Organisation, 1978) (mimeo.).

²¹⁰ *Ibid.*

IV. TOWARDS A NEW INTERNATIONAL DEVELOPMENT STRATEGY

526. In this chapter the experience of the international community and of ESCAP member Governments with the Second United Nations Development Decade is evaluated briefly with a view to reaching some tentative conclusions about the essential elements of an international development strategy for the 1980s. First, the nature of the objectives, the underlying assumptions and the mechanisms for implementation of the international development strategy for the 1970s are critically reviewed; secondly, some ideas for a framework of the new international development strategy are presented; thirdly, possible international elements of the new strategy which seem most important from an ESCAP regional viewpoint are set forth; and finally, the domestic components of the strategy are briefly reviewed.

(a) **The International Development Strategy for the Second United Nations Development Decade: a review**

527. From an ESCAP regional point of view important lessons can be drawn from the weaknesses of the International Development Strategy for the Second United Nations Development Decade with respect to the nature of its objectives, the assumptions underlying it, the absence of mechanisms to ensure its implementation (either in developing countries or on the part of the international community) and even the process of review and appraisal during the Decade. The inherent defects of the Strategy, the most significant of which are adumbrated below, were made apparent by the economic fluctuations and inflation that occurred in the world economy during the 1970s. Even here, however, a more thorough formulation might have foreseen the possibility of such cyclical and structural problems, and included mechanisms to mitigate their effects on developing countries. Moreover, such problems do not appear to account more than partially for many of the developing ESCAP countries' poor performances in securing objectives with respect to growth, income distribution and the quality of life in the period under review.

528. A fundamental weakness of the Strategy has been its lack of operational objectives and targets. With respect to economic growth, the wide disparities among developing ESCAP countries were ignored in average rates, while the important qualitative objectives lacked specific targets altogether. The more detailed policy measures advocated in the Strategy were unfortunately independent of the objectives. Most of the measures to be taken by

individual developing countries were concerned with the promotion of growth, although a few were directed towards employment, education and other aspects of human development. A much larger set of measures were prescribed for the international community and developed countries, many of them expressed in general terms without explicit definitions or schedules for implementation.

529. The lack of specificity and system in the Strategy's policy package was due in large part to the oversimplified development model implicit in it. The different development problems of various countries received little attention, while the undue emphasis accorded international measures—including private foreign investment—assumed that external forces must provide the main stimulus to economic growth in all developing countries. In spite of that, as noted above, the model included no provision for the significant structural and cyclical developments in industrial economies, such as those which, in the event, have had adverse impacts on most developing countries during the Decade.

530. From an ESCAP regional point of view major weaknesses of the model were its over-estimation of the stimulus which could be provided by the export sector and by private foreign investment in many economies, and its under-estimation of the share of the gains from trade which could be appropriated by transnational corporations. In that regard also, inadequate account was taken of the social and political pressures in developed countries preventing the removal of barriers to the import of labour-intensive manufactured goods on which developing countries' export expansion depended. Similarly, the model over-estimated the extent to which interdependence between developing and developed countries would provide the latter with an inducement to expand aid. Perhaps most serious of all, inadequate account was taken of the very strong structural constraints in many developing ESCAP countries which excluded many sections of their populations, particularly the poorest groups, from the benefits of growth.

531. The shortcomings in the Strategy's objectives, policies and assumptions were compounded by its failure to commit governments firmly to concrete and timely implementation of its principles. This applied equally to the measures which were expected to be taken by the developing countries and by the international community. In the latter regard, for example, collective action on commodities and on trade barriers within the first two years of the

Decade was advocated in the Strategy; in the event, it was not until half-way through the Decade that progress commenced to convene new negotiating conferences on individual commodities or on multi-lateral trade negotiations under GATT. Moreover, the Strategy was constrained by the absence of its influence over the policies of the international financial institutions and by its failure to establish clear responsibility for action among either governments or international agencies. Much emphasis was laid on the importance of the "global context" but there was little indication of what roles the various institutions would need to play in implementing the various policies.

532. With respect to the review and appraisal of progress under the Strategy, responsibility was allocated fairly clearly to governments and agencies. However, the non-contractual nature of the arrangements, the lack of precision or diversity of the targets themselves and the large size of some of the international forums involved, combined to inhibit serious appraisal of the Strategy's implementation or, and more importantly, reappraisal of its basic concepts and assumptions in the light of experience.

(b) Framework of a new strategy

533. The experience of the Second United Nations Development Decade suggests a number of other general points for consideration in developing a new strategy. First, there is merit in couching the strategy in terms of viable, consistent, operational targets. These should reflect the wide disparities among the developing countries which would be ignored if average rates were to be used. Measures to be taken by individual developing countries both with regard to growth and in the social dimensions of development such as in employment, education and other aspects of human development should also, whenever possible, be targeted quantitatively. As far as possible the strategy should seek to avoid broad generalizations and should supply explicit definitions as well as schedules for implementation. In this connexion, ideally the strategy should contain, wherever possible, agreed commitments by all countries, expressed in quantified terms if feasible and in an appropriate time frame.

534. Another desirable characteristic of the strategy is that it should be flexible enough to allow for changes in the event of new developments or in the event of the need for reappraisal. For instance, at this point in time, it is not possible to foresee developments which could occur in the world economy and which could call for a revision of certain elements of the strategy. At the same time, and to facilitate the requisite mid-term changes, it is essential that arrangements be made to monitor the pro-

gress of implementation of the strategy. Should such suggestions be adopted, work needs to be done on the dual aspects of the appropriate targeting of objectives, particularly in social development, and of developing appropriate monitoring techniques.

535. Two further general aspects of a development strategy commend themselves in the light of the experience of the 1970s. First, the relative lack of progress in the land-locked and least developed countries of the ESCAP region and the continuing particular problems of the island economies of the South Pacific, make it essential that the new international development strategy should contain special provisions which cater for the interests of these groups of countries.

536. Secondly, the strategy should urge the adoption of policies which are consistent with ecologically sound resource and environment practices. The environment should be used in this sense for the benefit of mankind considered as a whole and not exploited wastefully and harmfully by small and privileged sections of the population. The environment must also be cared for in a manner which will preserve its quality for future generations. The cost of preventive action today can be viewed as a sound investment in the future when contrasted with the cost of remedial action at a latter point in time. Such issues are of immediate concern to the developing countries of the ESCAP region where environmental problems of great importance exist. These include issues of marine, river and urban pollution; the depletion of fish stocks, of tropical hardwoods and of the supplies of firewood; and the rapid degradation of land (through erosion, desertification and salinization), which is probably the region's most valuable natural resource. These issues are of increasing importance to the region and all of them require remedial action at either the national, sub-regional or regional level.

(c) International elements of a strategy

537. Viewed in retrospect, the experience of the 1970s and of the debates and deliberations of many international forums have indicated a number of elements which might be considered when the formulation of an international development strategy is undertaken by the appropriate bodies of the United Nations system. None of these aspects of a possible development strategy is peculiar to the ESCAP region but to some extent all problems considered have bearing on the circumstances of the countries of the region.

538. The international economic experience of the 1970s of ESCAP's developing market economies was reviewed briefly in chapter I and in more detail in subsequent chapters. During the decade to date a

number of important issues have affected the welfare of these countries and have attracted world-wide attention in a variety of international forums. From these meetings have emerged a set of resolutions or declarations of concern and intent about the problems at issue and these have led finally to two meetings of the United Nations General Assembly where the principal elements of what has come to be known as a new international economic order have emerged.²¹¹ It is certain that the main features of the new international development strategy for the 1980s will be based upon the contents of a new international economic order although these have been stated at a level of generality which will require further analysis, discussion and debate before they appear in more concrete form as the main elements of a strategy.

539. Because developing ESCAP economies played a significant role in the many meetings and conferences which were to lead to a new international economic order and because they have generally and strongly supported the points of view expressed in it, the intention here is to examine briefly the lessons of the 1970s as they have emerged from these meetings with a view to bringing out the particular ESCAP concern with the problems at issue and to deriving pointers to suitable elements for an international development strategy for the 1980s.

540. Rapid population growth was one area of importance and this was discussed at the World Population Conference at Bucharest in 1974. While the views of individual developing countries are divided about the consequences of burgeoning populations, as evidenced in their development plans and in their implementation of these plans, most Governments of developing countries in the ESCAP region view the rates of increase in their populations with considerable concern.

541. Another major issue is that of food production, procurement and internal distribution, all of which were subjects for deliberation at the World Food Conference, held at Rome in November 1974. In the ESCAP region the question of malnutrition is not merely one of food availability within countries but also one of its distribution among the population. The objectives of raising food output, and of ensuring greater access to it, can be effectively and concurrently met only through wider participation in its production. Thus, the problem of raising the effective demand of the poor for food is linked with that of income and asset distribution in general.

542. A recent assessment by the Asian Development Bank²¹² of the supply and demand situation for major cereals projected for 1985 for the Asian region gives a picture that should cause serious con-

cern among policy makers at the national and international levels. According to this assessment, the region is unlikely to be in a position to meet its requirements for cereals in 1985 from its own production. The net deficit is not expected to be lower than 11 million tons per year and may prove to be as high as 35 million tons, depending on the assumptions regarding likely trends in supply and demand. Among the developing countries of the region, only in respect of two of the traditional cereal exporters, Burma and Thailand, can it be said with reasonable assurance that they are likely to have an exportable cereal surplus by 1985, and even that surplus may be seriously diminished.

543. More important, the study identifies certain common constraints in the agricultural sector which raise doubts whether even the moderate trends in production increases recorded in the early 1970s can realistically be expected to continue in a sustained manner in the mid-1980s. These concern increasing difficulties in adding to the cultivable area, limitations from an ecological point of view concerning those areas where the technology of improved seeds and chemical fertilizer could be successfully applied, difficulties and likely delays in devising an array of adapted technologies tailored to varying ecological and institutional requirements, and water management problems. Furthermore, experience underlines the need for caution in making supply projections at the national and regional levels based on simple extrapolations of yield improvement data obtained under controlled conditions in a few agricultural research stations.

544. In the ESCAP region a dominant conclusion would appear to be that in the case of most countries priority in development efforts should be given to raising the rate of growth of agricultural output in order to reduce nutritional problems, avoid excessive dependence on food imports and provide a growth of rural output consistent with the expansion of domestic manufacturing. This conclusion holds *a fortiori* in the case of the low-income countries of the region.

545. At the same time as efforts are increased to expand domestic production of food, measures need be adopted at the international level to ensure that adequate supplies of cereals are available to meet the emergency situations which will arise from time to time. What is involved here is international col-

²¹¹ General Assembly resolution 3201 (S-VI) containing the Declaration on the Establishment of a New International Economic Order and General Assembly resolution 3362 (S-VII) on development and international economic co-operation.

²¹² Asian Development Bank, *Rural Asia: Challenge and Opportunity* (Singapore, Federal Publications, 1977).

laboration to predict the crises sufficiently far in advance and to organize and distribute the supplies to the needy areas and minimize the costs of holding stocks.

546. There has been action at the international level the better to define industrial development strategies and targets and to give momentum in this area. Aware of the problems, the Declaration and the Programme of Action on the Establishment of a New International Economic Order recognized the role of industrialization policies in establishing an equitable balance between developed and developing countries and urged the redeployment of industries from the former to the latter.

547. The Lima Declaration and Plan of Action on Industrial Development and Co-operation, adopted by the Second General Conference of the United Nations Industrial Development Organization in March 1975, set an ambitious quantitative target of 25 per cent for the share of developing countries in total world industrial output by the year 2000 and established a number of policy guidelines and qualitative recommendations designed to provide a strategy and framework for the achievement of this over-all target. Progress towards this target in the ESCAP region will require vastly improved access to and adaptation of technology, the adoption of more labour-intensive types of technology, a dramatic expansion of domestic demands, perhaps resulting from more egalitarian patterns of income distribution and of intra-developing country trade, considerably improved access to the markets of the industrially developed economies and the development of appropriate capital-goods industries in the developing countries.

548. While the challenges and constraints facing industry are severe, this sector in developing ESCAP countries is better equipped than in the past to attain a high rate of growth and to be an effective instrument for the eradication of poverty. Within each country, the industrial sector has at its disposal a growing pool of experience — trained manpower and scientific and technological expertise — not only from the developed industrial economies but also (in potentially more adaptable forms) from other developing countries. The major forthcoming challenge will be to develop a pattern of industrialization, using the most appropriate forms of technology, which is consistent with and supports a more egalitarian pattern of income distribution and of access to opportunities both nationally and internationally.

549. The interdependence of the world economy has increased markedly in the past decade and factors affecting international trade and financial flows are

of extreme importance. Exports directly generate employment and income and indirectly provide the incomes for the import of essential capital equipment and technology. For this reason, trade among nations is at the core of the matter of international economic relations and, as is to be expected, it has been at the centre of the negotiations among countries seeking a restructuring of economic relations, as seen from the proceedings of the sixth and the seventh special sessions of the General Assembly and of the fourth and fifth sessions of UNCTAD. The growth in world trade, the composition of this trade and the terms of trade are matters of profound concern to developing ESCAP countries.

550. The patterns of international trade and their changes during the Second Development Decade help to bring out the major problems in the trade relations of the developing countries of the ESCAP region. First, a large majority of the countries depend to a considerable extent upon international trade, with a high concentration on primary commodity exports. The exceptions to this are the smaller economies of Hong Kong, the Republic of Korea and Singapore. Among primary commodities, the ESCAP region supplies the bulk of exports of coconut, jute, rice, tea, rubber, pepper and tropical hardwoods among crops and tin among mineral products. The sudden and large price fluctuations in the prices of these commodities in the 1970s have severely disrupted the economies of the producing countries. The stabilization of these commodity prices is a matter of major concern to the exporting developing ESCAP countries and has encouraged the formation of commodity agreements within the region in coconut, rubber and tropical hardwood production. Stability is an essential element in the Integrated Programme for Commodities. Aware that fluctuations in income can also arise from supply failures, the developing countries are concerned to seek improvements in and better terms of access to the IMF's export compensatory facilities.

551. Attempts at export diversification appear to have been moderately successful during the 1970s in the ESCAP region's developing countries. Between 1970 and 1976 global developing country exports of manufactures to developed economies grew much faster than did the export of manufactures from other countries and developing ESCAP countries played a major role in this improvement in the developing country market share. However, 80 per cent of the increased growth was attributable to only eight developing countries and of these, five ESCAP countries contributed 51 per cent of the total increment.

552. These observations bring out clearly the need for the further growth and diversification of exports

of manufactures from developing ESCAP countries. There are three main thrusts of such a strategy. First, efforts are required domestically to improve the competitiveness of developing ESCAP country exporters. Broadly speaking, this requires viable exchange rate policies, the removal of artificial barriers to exports arising from the protection of imports, bureaucratic controls and the like, and official encouragement by way of providing export guarantees, credit and financing facilities, market information and related facilities.

553. Secondly, in the developed industrial economies, there must be a growing preparedness to dismantle rather than to increase the tariff and non-tariff measures which are preventing ESCAP and other developing countries from exercising their genuine comparative advantages in production. Here, in particular, is one element of an international development strategy in which mutual gains can be won by all parties. What is required in the developed industrial economies is a massive campaign in public understanding of this problem and at the international level innovative measures to expand aggregate demand to full employment levels. The latter would directly stimulate demand for developing country exports and lessen the impact of the unemployment lobby in demanding protection from developing country exports. In the long run, of course, it would also improve the export prospects of the developed countries by moving resources to more efficient industries. In addition to the dismantling of protective barriers, the developed industrial nations need to go further in stimulating the exports of manufactures from developing countries by extending the scope of the general preferences offered to these countries in international trade.

554. The third major thrust in the strategy to expand the exports of the developing ESCAP countries involves the concept of collective self-reliance. To an increasing extent, efforts should be made to expand intra developing country trade in the ESCAP region. If the trade of developing countries in reasonable proximity to one another is to be expanded, there is need for a considerable improvement in trade infrastructure which includes the provision of trade information, credit facilities and export guarantee systems and the extensive improvement of shipping and port facilities and internal feeder transport systems. It is also important that increased intra developing country trade be based not on the diversion of trade from lower-cost third parties but in securing an economically more rational allocation of production among developing countries. This requires genuine and statesmanlike reductions in the trade barriers separating developing country markets. The major anticipated gains

would come from an expansion of trade between the upper-middle-income countries, on the one hand, and the lower-middle-income countries, on the other, as each explored their rapidly changing comparative advantages.

555. Various quantitative studies have shown clearly that if reasonable rates of growth in the developing countries are to be attained in future, substantial flows of foreign capital will be required, even assuming greatly improved performances by the developing countries in mobilizing their domestic resources. In the case of the middle-income developing countries of the ESCAP region it is probable that private and public flows of commercial capital will be forthcoming, given the continuation of sensible economic policies in those countries. There is no way, however, in which the majority of the low-income countries in Asia can hope to secure modestly respectable growth rates in gross national product unless foreign assistance flows are made available in increased amounts and on more generous terms. This conclusion applies *a fortiori* in the case of the two land-locked countries of Afghanistan and Nepal. As a major plank in a new international development strategy, donor countries and multilateral lending agencies might develop a programme of assistance which, like Marshall Aid to Europe at the conclusion of the Second World War, could provide for the more rapid development of these countries. Such a programme would require further immediate debt relief for these countries and the commitment by donors over a period of time to the provision of funds in specified amounts and on the most liberal of terms. Other components of such a programme could involve greater access to donor country markets and improved flows of, and access to technology.

556. Yet another concern in the 1980s of developing ESCAP countries and of the international community, which is to be discussed at the United Nations Conference on Science and Technology for Development, are ways and means to promote the transfer of technology to developing countries. To the maximum extent possible this requires the removal of barriers to the transfer of technology, the adoption of positive measures, especially in foreign assistance programmes, to increase the flow of assistance and greatly increased efforts to develop indigenous capacity in science and technology. At the same time, measures need to be formulated to reduce the loss of skilled and professional manpower to the industrial developed economies or to the higher-middle-income countries. Bearing in mind the concept of collective self-reliance, there is a great amount which could be accomplished in these areas by more vigorous co-operation among the developing countries of the region.

557. Finally, as an international element in the strategy, developing ESCAP countries have a vital role to play in bringing about institutional change at the international level. From a developing ESCAP country point of view, a new international development strategy should call for the establishment of international economic institutions which will facilitate and promote steady, stable growth in the world economy in a manner that will assist the economic and social development of the developing countries and involve them in effective and full participation in decisions in the areas of development and of economic collaboration.

558. The institutions and rules which currently serve the international community were drawn up at a time when the majority of today's developing countries had yet to attain independence. Although some changes have occurred and some new institutions have emerged, the international institutional framework needs further and considerable adaptation to reflect properly the interests of the developing and socialist countries and to deal effectively with international problems. For instance, it is felt that the rules of GATT need to be amended to cope with the pernicious influence of non-tariff barriers to trade; reforms within the IMF need to provide for some form of international currency to replace the use of the currencies of the rich developed industrial nations; and in institutions such as the World Bank, the developing countries must be granted a more effective and equitable voice.

(d) Domestic elements of a strategy

559. It is important that the international aspects of a strategy should be complemented by appropriate policies for social development within developing countries. The objectives of social development and the policy measures to be used need to be defined and decided upon by each country within the context of its development plans and in accordance with its own priorities and its own social, political and economic systems but bearing in mind that the ultimate goal of development is to secure the well-being of all people and ensure full participation in the process of and the benefits derived from development. In the ESCAP context this implies the need for member Governments to address themselves to such aspects of domestic development as increased savings and investment rates, enhanced productivity, industrialization and agricultural production and institutional changes, with particular attention to the attainment of objectives concerned with social equity, participation and balanced socio-economic development. These aims have been firmly endorsed by the development plans of the developing countries of the ESCAP region.

560. Of major importance are the measures adopted to raise the incomes of the poor and to involve them fully in the development process. In the developing market economies of the region the major emphasis needs to be on measures which will raise the productivity of the poorer sections of the population by improving their access to the means of production and by more fully developing their capacities to exploit those means. Essentially, what is involved are policies which encourage a level and a pattern of development which both raises the productivity of the poor and leads to a satisfactory increase in the volume of goods and services in the economy over time. The objectives imply policies to redistribute assets, as in the case of land reform, improve access to services provided by the market and by the government, such as credit or education, alter relative product and factor prices which discriminate unnecessarily against the poor, as in the case of export taxes on the products of small farmers or hidden subsidies to the users of capital equipment which encourage relatively capital-intensive methods of production.

561. In most middle-income countries of Asia, however, and in all lower-income countries, direct attacks upon poverty will also be necessary in the 1980s if the worst dimensions of poverty are to be eliminated. The large majority of the poor in the world are to be found in rural Asia. Beyond effective land reforms, important radical changes might be required to reduce the numbers of marginal farmers and landless labourers. In south Asia especially, experience has shown that growth rates in excess of 3 or 4 per cent in agriculture over a decade are required to absorb these people in rural employment; such growth rates are very high by historical standards. Experience also confirms that expansion of industrial output provides for only minor improvements in the over-all employment situation.

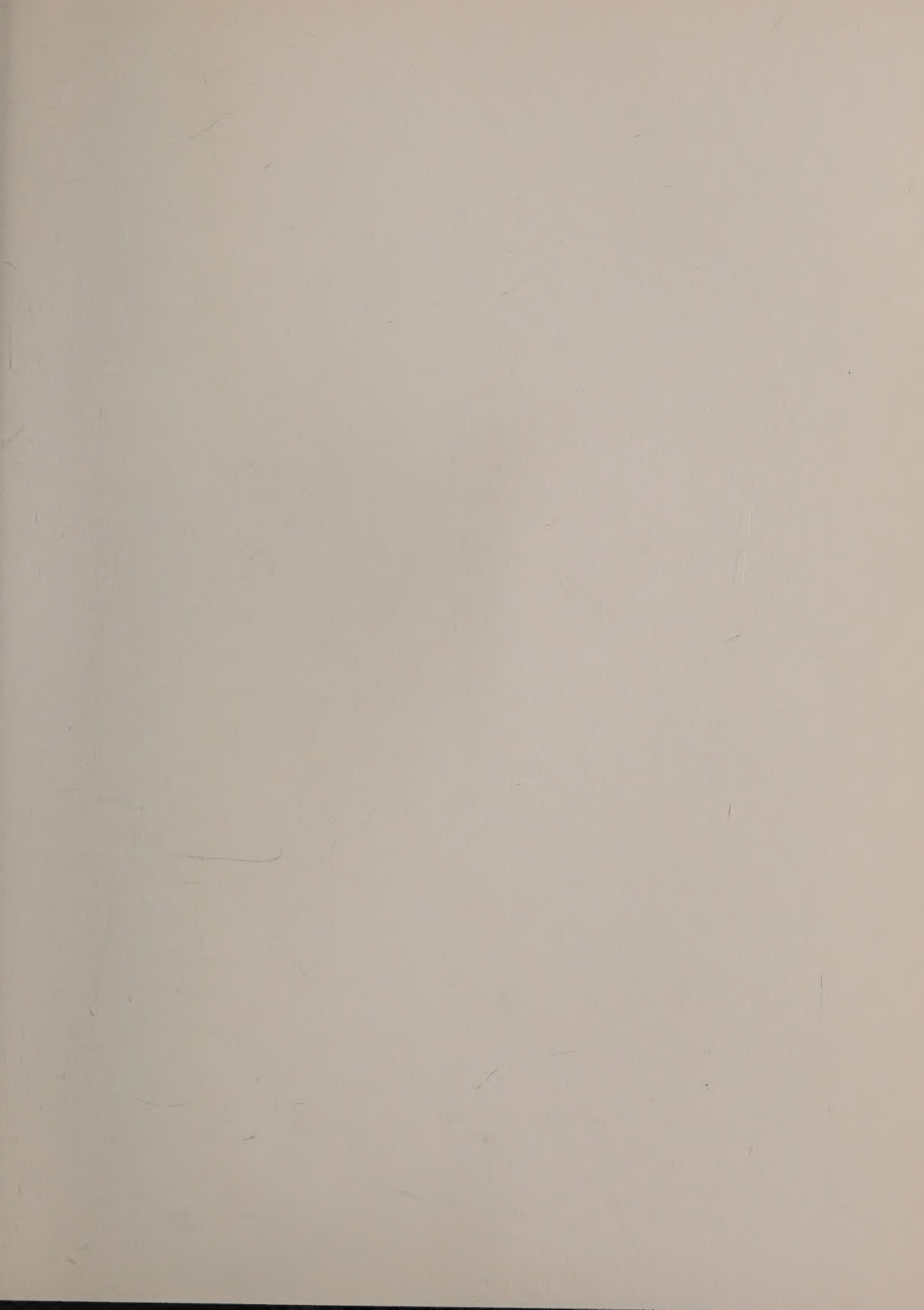
562. In these circumstances there will continue to be a need for direct measures to relieve poverty in rural Asia. Apart from large-scale rural works programmes designed to provide employment in rural areas, the experience of which has not been especially encouraging, other measures for directly attacking the problems of poverty include the provision of public services. Basic nutritional deficiencies can be partially overcome by intervention measures of varying degrees of effectiveness although these are in many instances a heavy drain on scarce development resources. In addition to programmes for the emergency distribution of food in times of crisis, policies which can be adopted to deal with nutritional deficiencies include the use of fiscal subsidies or price controls to allow greater consump-

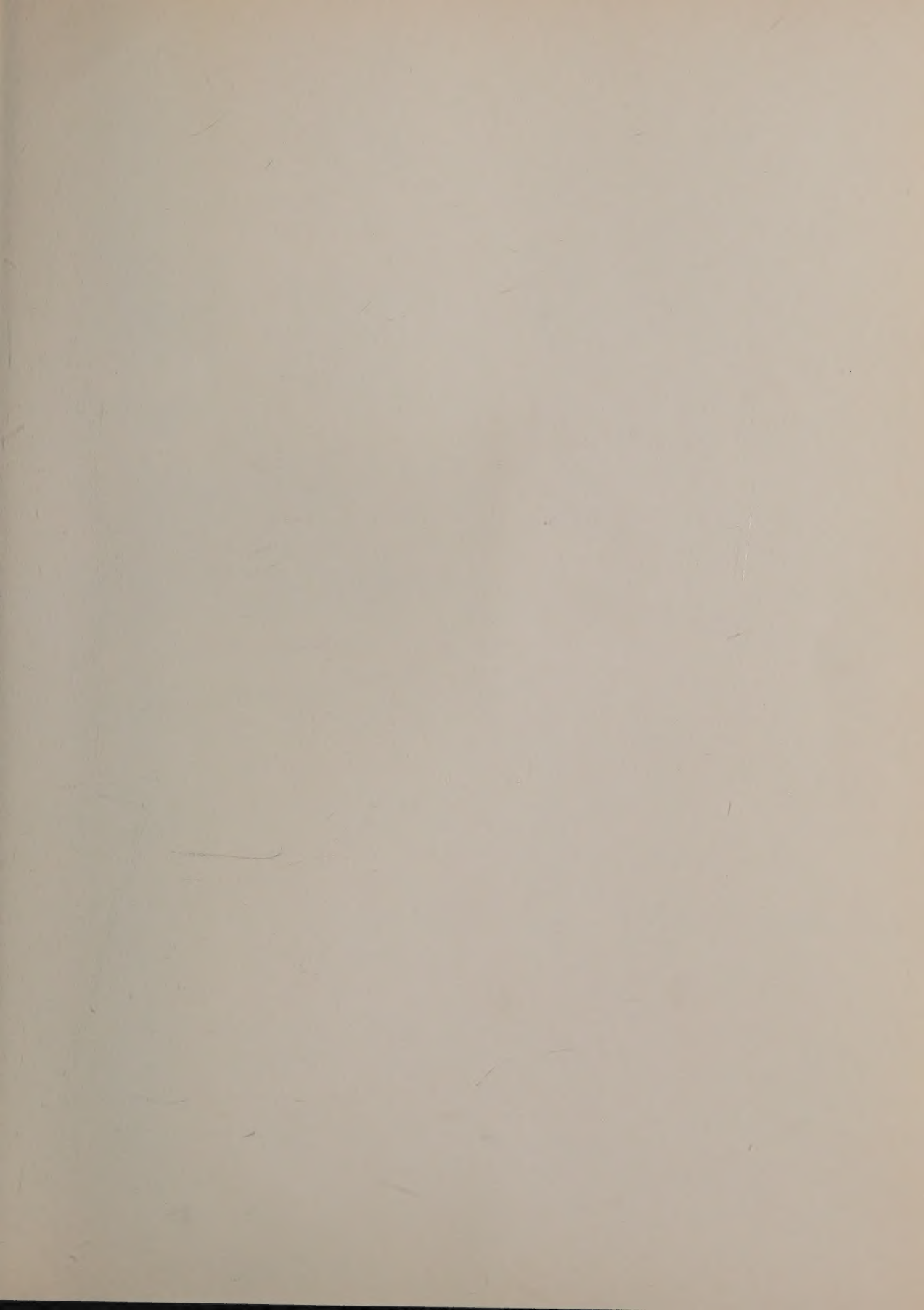
tion of food for a given expenditure by the poor, programmes to supplement the food of certain target groups such as school children, pre-school children and pregnant mothers, fortification of commonly consumed foods with special nutrients and improved health and education services.

563. So far these schemes have proved effective mainly in providing short-term relief. Part of their failure to bring about more permanent improvements derives from the need to extend the scope of public services such as health, education, sanitation, drinking water and shelter, and the access of the poor to them. The emphasis in future development strategies needs to focus on improved design of technology and of delivery systems so that costs are consistent with what the poor can afford to pay or the government to provide. From the management point of view it is evident that the costs of increased facilities in these areas are very high, but cost considerations are just one aspect of the logic of greater community participation, as perhaps

the only way to ensure the widespread availability of essential public services in low-income Asia in the next decade.

564. If member Governments are to obtain a satisfactory feedback on the results of their attempts to alleviate poverty, it is essential that better methods of monitoring progress be devised and implemented. This will also involve the setting of quantitative targets in a time framework wherever possible against which to measure progress. The monitoring system must also be used to identify the extent to which target groups actually benefit. An increase in credit facilities in rural areas to help the poor is not working successfully if it is the rich landowners who are using the facility. Monitoring also means that objectives need to be clearly specified and that target groups must be defined. In the process of establishing adequate monitoring systems and in evaluating the results, the capacity of member Governments to plan successfully should be greatly improved.





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